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# FINANCIAL TIMES

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## NEWS SUMMARY

### GENERAL

**Begin's treaty target**  
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### Business

**Wall St. down 19; Gold falls \$3**  
WALL STREET reacted sharply to rising U.S. interest rates, and the Dow Jones index fell 10.39 by noon. After recovering to within a few points of the previous day's close, the index fell again to close 19.40 down at 792.45. Trading at 43m shares, was not as heavy as on Monday, when 59.48m shares changed hands.

**Equities** reacted to unfavourable news from several quarters and the FT ordinary index, down 0.2 at 10 am, closed 5.5 off at 478.9, its lowest since July 20. Golds came under sustained selling pressure, and the Gold Mines index fell 5.1 to 143.4, its lowest since early May.

**GILTS** eased initially on higher U.S. Treasury bill rates, and the Government Securities index closed 0.06 down at 69.28.

**STERLING** fell 2.40 cents to \$2.0750 and its trade-weighted index fell to 63.1 (63.2). The dollar's depreciation narrowed to 13.2 per cent (13.6).

**GOLD** fell \$3 to \$242 in London and in New York the Comex November settlement price was \$238.80 (\$245.00).

**COTTON** prices in Liverpool rose to their highest since May 1977 on fears of frost affecting the Soviet crop. Cotton October futures rose 1.50 to 68.50.

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**Poliov grounded** Official have confirmed the Tupolev-144 supersonic jet was grounded after a crash in this morning killed three crew members. The aircraft is expected to be back in service in a few months. Page 2

**umber Bridge** Hamble Bridge Authority has announced the construction of a new bridge over the River Hamble. The new bridge will be a suspension bridge and will be 1,000 feet long. It will cost £10 million and will be completed in 1985.

**il sit-in ends** A sit-in at Nottingham jail ended yesterday when 82 prisoners returned to their cells. Durham jail, 12 prisoners are on hunger strike in a protest against prison conditions.

**mpromise offer** Union Prime Minister Giulio Andreotti has proposed that the government should accept a new contract with striking hospital workers to be advanced from next summer to January. Page 2

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**ation charge** A conductor of the Paris Opera Orchestra stormed off the podium but the orchestra and cast continued their performance. The conductor, Claudio Abbado, said the orchestra was "scotching his interpretation."

**riefly...** Genoa steel factory foreman must distribute Red Brigades offers was jailed for four and half years.  
The Greek oil tanker Christos was scuttled in the Atlantic.  
Iceland manager Ivan Osborne of Shaftesbury has been sacked or refusing to show sex films.

## Army 'told to take over oilfields' as Iran crisis grows

BY ANDREW WHITLEY, Tehran, Oct. 31

Iran's political and economic crisis deepened tonight with reports that the Government had ordered a military takeover of the strikebound oilfields.

The mounting level of violence throughout Iran has left 64 dead in the past 24 hours, the highest toll since imposition of martial law in a dozen cities over seven weeks ago.

The official Iranian news agency, Pars, said tonight that the army had taken over responsibility for "a number of the Abadan refinery's operations." It said saboteurs had threatened to damage oil installations in Khuzestan and the military forces were on the alert to prevent any incidents.

Another reason for the move is understood to be the desire to provide protection for those strikers who want to return to work. The strikers are reported to have been given three days to return to work on pain of dismissal.

Production from the oilfields has continued to fall although it is not clear exactly how much oil is coming through. The consortium of western oil companies responsible for 90 per cent of production say that production today was down to below 1.5m barrels, while Radio Iran said that it had virtually ceased.

But Mr. Mohammed-Reza Ameli, the Iranian Information Minister, claims that exports of oil are still 90 per cent of normal. He also strongly denied that Iranian troops had "occupied" the oil installations.

Unconfirmed reports say 28 oil tankers are standing off the Gulf, waiting to see if they can get into Khuzestan and the export terminal, and if so, whether there is any oil to take aboard. The National Iranian Oil Company in Tehran refuses to talk about what is happening in Khuzestan Province, where nearly all the oilfields and production are.

In the Iranian Parliament today Prime Minister Shari'Emami, successfully defending his Government against a censure motion, castigated the strike as "nothing but treason."

He did not say what the Government was going to do to end what is essentially a political problem.



There are now growing fears of a military Government if the level of violence throughout the country does not abate.

But most of the deaths, which took place in three towns in the extreme West and one in the South-East, appear to have resulted from attacks by pro-Shah vigilantes on Opposition demonstrators.

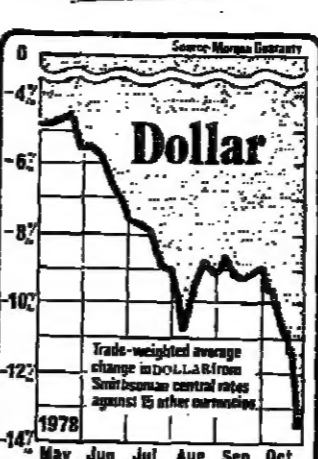
In the tiny town of Pavah, near the Iraqi border, there was the astonishing sight of the local branch of Parliament, a Mr. Salar Jaf, leading a club-swinging mob.

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Bonn denies seeking Iran dictatorship, Page 2

Possible impact on world oil prices, Page 6

Lex, Back Page



Dollar

Trade-weighted average change against major currencies, 1978

**\$ rise in nervous trading**  
THE DOLLAR recovered against other leading currencies in nervous and volatile exchange market trading yesterday, after the sharp falls recorded on Monday.

The markets appeared to be pausing after the previous heavy activity, and it was felt that central banks were taking the opportunity to intervene in thin dealings to push the dollar higher.

There was some early pressure on the U.S. currency, but later in the day, the dollar picked up with business generally quiet ahead of today's Catholic holiday when Paris, Milan, and some other centres will be closed.

The pound came under late pressure due to a large commercial selling order after New York opened, and was thought to have received some official support.

The improvement in the dollar was indicated by the trade-weighted average depreciation, calculated by Morgan Guaranty at noon in New York. This narrowed to 13.2 per cent from the previous day's record of 13.6 per cent.

The U.S. currency touched a low point of DM 1.7210, but with the Bundesbank buying another \$20m at the Frankfurt exchange, it picked up to end at DM 1.7350 in European trading, compared with DM 1.7235 on Monday and DM 1.7135 overnight in New York.

The Swiss franc slipped to Sfr 1.4975 to the dollar, against Sfr 1.4905 on Monday. The dollar also recovered against the Japanese yen, at Y178.1, and the French franc, at FF 6.5400.

The pound opened at its best at \$2.0620, and its trade-weighted index rose to 63.2 in early trading. By the close of business in Europe, it had come back to \$2.0750, for a fall of 2.40 cents, with the index rising to 63.1 against 63.2 on the previous day.

## Ailing dollar threat to UK market

BY OUR INDUSTRIAL STAFF

THE SLUMP in the dollar's value has aroused fears of a new attack on the UK market by other major export-orientated economies.

Sir Arthur Bryan, chairman of Wedgwood, the pottery manufacturer, and chairman of the North America Advisory Group Committee of the British Overseas Trade Board, said yesterday that British manufacturers must be alert to the dangers of countries, such as West Germany, Japan and France, making an increased attack on the British market because they were finding it more difficult to penetrate the U.S.

His fears were echoed by the Department of Trade which said this was a real threat.

The dollar's fall is also hitting some British companies selling to the U.S. Sterling has appreciated by about 20 per cent against the dollar since mid-1976, so eroding price competitiveness.

The U.S. is by far Britain's biggest export market, taking 9.2 per cent of the UK's total overseas sales. Last year's sales were \$13,050m. In the first nine months of 1978 exports were up to \$12,550m, compared with \$12,349m during the same period last year.

Wedgwood, Sir Arthur said yesterday, would be in a stronger position than some companies because of the type of product involved. More than 70 per cent of Wedgwood's output is exported with the U.S. accounting for half overseas sales.

Like many other companies, it feels that, after many years of having a weak pound against a strong dollar, it will have to ride a situation in which currency movements are hitting profitability.

According to Sir Arthur, some British companies are fighting shy of the market as profit margins are squeezed. But for most the only real possibility is even a reduced profit margin.

U.S. companies which are exporting in dollars face the biggest problems in terms of lower profitability. They include companies which, like the tractor manufacturers Massey Ferguson, invoice all their exports to the Third World in dollars.

Roll-Royce prices all spare parts to the U.S. in dollars, its biggest overseas customer, in dollars. This August's order from Eastern Airlines of the U.S. for 21 Boeing 747s with Roll-Royce 535 engines are believed not to be fixed price contracts.

The British Steel Corporation expects the dollar's fall to affect the world market for steel. The U.S. is now likely to raise the trigger price at which its anti-dumping mechanism operates, thus curbing its steel imports still more.

The result, BSC believes, would be to fuel the attempts of Continental steel makers to increase their sales in Britain.

BSC's exports to the U.S. have already been hit by anti-dumping actions, which slashed sales in July.

GEC, which trades mainly in sterling and whose major exports to the U.S. are aircraft, electronics and gas turbines, achieved North American sales of more than £35m in the year to the end of March. That compares with total exports of £265m.

In terms of world competitiveness, GEC said, the pound was

## Ford makes last-ditch pay offer of 14.9%

BY PHILIP BASSETT AND CHRISTIAN TYLER

FORD MOTOR in the sixth week of an official strike, made a final offer last night to the union of 14.9 per cent, including over 5.1 per cent, declaring it the end of the road.

Late last night the union negotiators were deciding whether to accept the company's offer and start moves to call off the strike of 35,000 manual workers; reject the offer; or put it to a vote at the 35 plants without a recommendation.

Whatever the result, the offer is far over the Stage Four limit, and will force the Government to consider seriously some kind of action, however token, against the company.

The offer, bolstered by improvements to holidays, holiday pay and pensions, would give the main grade of 25,000 production workers £10 a week more, half the amount claimed by the union.

Men working on alternate day and night shifts would get £11.02, bringing them up to £20.42 a week. With four hours overtime weekly earnings would be just under £101 a week.

The company continued to reject the union's claim for a cut in the working week to 35 hours and a special allowance for production line men.

After the "final" offer had been made the company negotiators returned briefly for what was described as clarification of the attendance bonus which the union had said was not acceptable.

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New Ford car supplies almost exhausted, Back Page

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EUROPEAN NEWS

Soldiers clear rubbish in Paris as strike continues

By Robert Mauphry

PARIS, Oct. 31.

THREE THOUSAND soldiers were brought in today to clear the mountains of refuse which have been piling up in Paris streets for the past week as the result of a dustcart drivers' strike. The strike, which began on Oct. 23, has brought the city to a standstill. The soldiers were ordered by the Mayor of Paris, M. Jacques Chirac, following the rejection by the City Council of demands by 500 drivers for higher wages. The municipal authorities said that though they had agreed to higher wages for some drivers, the Government's pay policy made it impossible for them to accede to all demands. The military had been brought in because the thousands of tonnes of rubbish deposited daily on the streets were beginning to pose a serious health hazard. Meanwhile, shipowners' and union representatives failed yesterday to reach an agreement which would end the damaging two-week-old strike by merchant seamen. The seamen are protesting against the employment on French ships of sailors from developing countries at wages below the French minimum. The strike, which has seriously disrupted work at most big French ports, is seriously affecting France's oil supplies. Paralysis of the Laverie oil port near Marseilles has the Government's pay policy made it impossible for them to accede to all demands. The military had been brought in because the thousands of tonnes of rubbish deposited daily on the streets were beginning to pose a serious health hazard.

Portugal inflation steadies

By Jimmy Burns

LISBON, Oct. 31.

THE PORTUGUESE consumer price index rose by 1.5 per cent in September, according to provisional estimates issued by the national institute of statistics. The latest increase shows that inflation in the third quarter of this year has been held steady following considerable fluctuations in consumer prices during the first half of the year. The inflation rate, computed on an annual basis, is now running at 20 per cent, which was the target set by the Socialist/Conservative administration last April. Nevertheless, Portugal's government led by Sr Carlos Mota Pinto is expected to face a difficult uphill task with regards inflation targets in the remaining quarter of this year. The 22 per cent increase in the price of petrol and industrial and domestic fuels earlier this month has dampened optimism that the prices of key items would remain fixed. Gas, electricity, and public transport were increased considerably earlier this year, and contributed to a 6.7 per cent acceleration in the price index in April.

Italy urged to accept U.S. trade demands

By Margaret Van Hatzem

LUXEMBOURG, Oct. 31.

WEST GERMANY appears to be leading a move in the European Economic Community to force Italy to give way on U.S. demands, made in international trade talks in Geneva, for greater access to EEC markets for its Mediterranean products. Herr Hans Juerger Rohr, the West German State Secretary for Agriculture, said today that proposals for Italian forestry, irrigation and other structural projects should be set aside until agreement was reached in the current GATT talks. Earlier, he had indicated to the Council of Ministers meeting here that there should be some form of trade-off with Italy between funds for the projects in question and access for products on the list put forward in Geneva by Mr. Robert Strauss, the U.S. special trade negotiator. Sig. Giovanni Marcora, the Italian Agriculture Minister, later denounced the move as "blackmail". He did not rule out the possibility of concessions to the U.S., but said he could not accept the way West Germany, as current president of the Council of Ministers, was linking a purely EEC matter to an international issue. The problem of U.S. access for products on the so-called Strauss list remains one of the main obstacles to agreement in the current round of GATT talks, and most EEC members are anxious to see it solved. It involves agricultural products such as citrus fruit and tobacco, of which Italy is the only major Community producer and thus receives little support in resisting the U.S. except from France.

The structural measures under discussion by the Council of Ministers were originally included in the 1978 farm price proposals and Italy lifted its reservations on the final price agreement only after the Council agreed to take a decision on them by September 30. At the time, Mr. Finn Olav Gundelach, the EEC Agriculture Commissioner, pledged the Commission's full support in obtaining a positive decision, but apparently the Commission's full support has proved insufficient. No decision has been reached and none is likely to be sought during the remaining two months of the German presidency.

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Dried reeds proposed as domestic fuel

By John Walker

STOCKHOLM, Oct. 31. A NEW KIND of fuel made from dried reeds and suitable for domestic heating has been developed by two research workers at the Institute of Limnology at Lund University in Sweden.

The common reed, when dried and made into a powder, can compete with oil when used for home heating, according to an article in "Ambio", the environmental journal of the Royal Swedish Academy of Sciences. Each hectare of reed plantation could yield a maximum of 10 tons of dry reed annually, equivalent in house heating terms to 500W, one kilogram of dry matter yielding 5Kw of energy. Harvest costs are forecast to make the final cost of producing reed powder about the same as oil when used for domestic heating.

Sweden is estimated to have just under 100,000 hectares (250,000 acres) covered with reeds, although some areas cannot be exploited as they are in nature reserves. A large number of lakes, at present unexploited, could also be adapted to reed cultivation.

THE EAST-WEST FORCE REDUCTION TALKS

Basic obstacles remain after five years

By Paul Lendvai in Vienna

THE 19 NATION East-West mutual force reduction talks enter their sixth year in a climate of disappointment. The faces around the conference table in the Hofburg, the imperial palace in Vienna, have changed. The positions of the two blocs may also have slightly shifted since the negotiations formally opened here on October 30, 1973. Yet the basic obstacles on the thorny road to an agreement about reducing the military hardware in Central Europe have remained. After 183 plenary meetings in 16 rounds of negotiations, the two sides still disagree even on the central issue of how many soldiers the Warsaw Pact has facing NATO in central Europe.

Few of the Viennese, let alone tourists queuing for one of the coveted tickets to a performance of the world famous Spanish riding school next door, know that in the same wing of the glittering palace some of the ablest diplomats from East and West meet every Thursday morning to discuss and to deliver statements about one of the most complex exercises in disarmament.

Even the mysterious term "MBFR"—the abbreviation for "mutual and balanced force reductions"—has been unacceptable to the East because the term "balanced" could have implied that the Warsaw Pact should make larger reductions than the NATO participants.

The formal title of the forgotten talks in Vienna is "armistice", a somewhat bizarre shorthand for mutual reduction of forces and armaments and associated measures in central Europe. But the official names and formal plenaries only provide a smokescreen for the important twists and turns which emerge at the informal weekly meetings.

It is at the encounters in the respective private residences that three delegates from each side—always of course including the Soviet and U.S. chief delegates—do the real bargaining.

Despite occasional Romanian complaints, the full participants (on the Western side Belgium, Canada, West Germany, Luxembourg, the Netherlands, Britain and the U.S. and on the Eastern side, Czechoslovakia, East Germany, Poland and the Soviet Union) are clearly more involved in decision-making than the secretaries. Then there is an array of interpreters who translate every question and statement

At these complicated talks, the Warsaw Pact proposals, which have been the subject of much press emphasis, even the weekly Press briefings after the plenaries are highly formal affairs. The handful of journalists are generally outnumbered three to one by the spokesmen, their assistants and the secretaries. Then there is an array of interpreters who translate every question and statement

officially replied to the latest Warsaw Pact proposals. Furthermore, NATO has invented the thesis both of a Soviet threat and of the superior numerical strength of the East to justify the increase of its own military potential.

Thus it is now the turn of NATO to give a reply within what the Soviet diplomat called "a reasonably short time."

increase its forces above the level existing before the reductions, nor would any direct participant be allowed to replace more than 50 per cent of the forces withdrawn unilaterally by an ally.

In contrast, the Soviets could easily circumvent the rules through arranging unilateral reductions by the satellite armies and then in two separate phases always replacing "only" 50 per cent of the reduction made to the national armies. This would return to the starting level of their original military strength prior to the force reduction agreement.

Last but not least, the Eastern package of June this year also contains an escape clause under which the Soviets (or the U.S.) can withdraw from the first phase agreement and cancel their reductions if either country is dissatisfied with the implementation of the second phase cuts. Worse still, such a decision could be taken unilaterally.

It is understood from reliable sources that the Soviets are also pressing for fixed rules concerning the withdrawal of units and armaments, thus weakening forward defence and organizational structure of NATO forces, while the West prefers "a mix." The East also wants to freeze certain categories of civilians employed by the armies.

The Eastern approach is motivated by the desire to place a permanent ceiling on the West German Bundeswehr, while maintaining a maximum of the clear advantages enjoyed in geography, manpower and equipment over the NATO forces.

So far the East has conceded very little on substantive issues to the West. The negotiability of a data compromise is clearly linked with the final outcome of the Soviet-U.S. SALT negotiations.

Given the political will on both sides, the forgotten Vienna talks could almost overnight become a crucial element in the quest for détente.

THE BALANCE OF POWER			
	Manpower	Equipment	
	Ground	Air	Tank
NATO	782,000	193,000	6,730
WARSAW PACT	935,000	204,000	16,200

Source: International Institute for Strategic Studies

and Turkey in the West; Bulgaria, Hungary and Romania in the East).

In short, any future possible agreement will only affect, on the Western side, national troops and the forces stationed by the U.S. Canada and Britain in Germany and the Benelux states, and on the Eastern side the armies of East Germany, Poland and Czechoslovakia as well as the Soviet troops stationed in these three countries (but significantly not in Hungary).

In the past five years, there have been innumerable bilateral encounters between delegates. In the first couple of years or so, the so-called "first generation" of negotiators and their families frequently met socially, even staging singing contests and inventing MBFR limericks at the parties in the Heurigen, the wine gardens of Grinzing.

Except for the East German chief delegate, Ambassador Ingo Reser, and a couple of Soviet and West German military advisers, however, the cast has changed. But the new Western perception of the Soviet threat, and lack of progress in the talks, have been perhaps even more important than the change of personnel in making the atmosphere more "business-like" and less "social."

into English, Russian and German. Thus the once crisp briefings have developed a special art of how to say nothing in three languages.

Far from dwindling in importance, however, the talks have recently become more than ever one of the crucial pointers to the future of détente.

Following a Western initiative last April 9, the Warsaw Pact responded on June 8 with a still no progress. The package deal which for the first time accepted the West's call for a common ceiling of 700,000 men in ground forces and an overall ceiling of 900,000 ground and air forces as the ultimate goal of the negotiations.

Two weeks later, Soviet President Leonid Brezhnev himself characterized the proposals as a major effort to break the deadlock and called on the West to assess them very carefully. In turn, President Carter spoke about a step in the right direction.

In his address to the last plenary meeting, Soviet Chief Delegate Mr. Nikolai Tarasov complained that the Soviet Union has been doing "everything possible to achieve a rapid, successful conclusion," but that the West, after almost five months, has still not

The point is, however, that the West still regards the data produced by the East about its own forces as completely false. In order to reach the common ceiling of 700,000 ground forces, the Warsaw Pact should reduce its troops in central Europe not by 105,000 (as calculated by the Eastern proposals) but by 262,000.

On this central issue there is still no progress. The impasse, which primarily affects the reduction estimates about the strength of the Soviet and Polish troops in the area, cannot be resolved without major concessions. Neither East nor West seems willing to make concessions involving a loss of face over the key issue of parity.

Aside from the data issue, there are other crucial controversial points. While accepting the Western call for a first stage reduction affecting only the U.S. and the Soviet Union (involving a trade-off between 1,000 U.S. 1,700 units requested by the West), the East seeks exact and detailed commitments for the other direct participants in phase two.

The Eastern blueprint also stipulates that no country can

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## AMERICAN NEWS

# Short-term interest rates rising strongly again

BY STEWART FLEMING

NEW YORK, Oct. 31.

SHORT-TERM INTEREST rates in the U.S. were rising strongly again today amid signs that the Federal Reserve Board might again be moving to restrain credit growth. As money market rates moved up, dealers were expecting record interest rates on this week's new U.S. Treasury issues.

The evidence of higher money costs and the growing conviction that the commercial bank prime rate will shortly move to 10 1/2 per cent brought share prices on Wall Street under renewed pressure after an initial attempt at a rally.

By midday the Dow Jones industrial average was down over 8 points but it had steadied from a loss of over 10 points earlier.

A major factor behind the sharp movement in money market interest rates in recent weeks has been the aggressive bidding for funds by large commercial banks especially New York-based institutions.

Over the past three years New York banks have been experiencing only sluggish loan demand from business but since early September demand has picked up smartly.

In addition it is thought that many banks are predicting significant increases in short-term money costs and are therefore seeking to purchase funds for six months to a year and more by selling certificates of deposit.

At the beginning of October prime three-month certificates of deposit were selling at yields of

around 8 per cent and six-month certificates at around 9.25 per cent.

Last week, Morgan Guaranty Trust issued six-month certificates in "a sizeable amount" (reported to be over \$100m) at 10 1/2 per cent. Yesterday Manufacturers Hanover issued certificates of six-month maturity at 10.75 per cent and Citibank at 10.85 per cent.

Similar upward pressures on short-term interest rates have been evident in the commercial paper market where bank holding companies (but not banks) can borrow. In the case of the certificates of deposit market, however, the nominal interest rate paid is significantly below the actual cost of funds because the banks must hold non-interest bearing reserves against dollar issues.

These are some of the factors pressing towards a higher prime rate. The prime is currently at 10 1/2 per cent but money market economists suggest that given the combination of strong loan demand and rising costs of funds to the banks, this level will not hold much longer.

There is speculation, too, that banks may be borrowing in the U.S. and transferring some funds into the Eurodollar markets where interest rates are higher. Bank economists suggest however that arbitrage should in time even out the spread between the two markets.

Statistics for the second quarter of the year suggest, according to Mr. Dimitri

Balatos, an economist with Manufacturers Hanover, that U.S. banks were then repatriating funds from abroad to the U.S.

The upward movement of U.S. interest rates this month has prompted talk about an imminent credit crunch. But many economists argue that such a "crunch," in the traditional sense experienced in 1974, is not likely at present.

Since then, banks have evolved new methods of raising funds by, for example, selling real estate mortgages.

Earlier this year the Federal Reserve began to allow banks and savings institutions to sell six-month savings certificates to the general public, paying rates of interest keyed to Treasury bill rates.

Such innovations allow banks to attract funds and therefore tend to make restrictions on the availability of credit, at a price, less severe. Mr. Balatos points out that if credit were not available, the banks would be able to charge higher prices for their loans than their current cost of funds.

The latest evidence of a tightening by the Federal Reserve is being taken as indicating that the Fed is now aiming for an average 9 1/2 per cent funds rate. But many economists argue that with inflation at between 7 and 8 per cent real interest rates are not high and therefore the Fed's monetary policy is not restrictive.

# A liberal Democrat edges ahead

BY JUREK MARTIN IN DES MOINES, IOWA

ON PAPER, if any incumbent Senator should have been in trouble this year it was Dick Clark from Iowa.

A Democrat in a state with a tradition of electing many more Republicans to statewide office, a certified liberal when the national mood was conservative, while the interests of his constituents are primarily conservative, he was perceived as "soft" on abortion and too close to the trade union movement. It was hardly a surprise that he headed the Republican list of vulnerable opponents.

If he does lose next Tuesday, the repercussions will be felt well beyond the Iowa cornfields. For Sen. Clark, in six years in Washington, has emerged as a respected authority on both domestic and foreign policy issues, but above all on Africa.

It was he who frustrated in 1976 Dr. Henry Kissinger's plans to channel covert aid to the non-Marxist forces in Angola, and who has in the past two years been a consistent supporter of the Carter Administration's Africa policies.

So much so that earlier this year the South African Government considered his removal so important that it broke the diplomatic code by despatching an embassy official to Iowa to make a few derogatory remarks about him.

But now, with the election a week off, the latest local poll gives him an 11-point lead over his Republican opponent, Mr. Roger Jepsen. Mr. Clark admits the campaign has been easier than he expected.

His private polls put his margin even wider, to the extent that his staff are patently nervous about it. They remember that when he was first elected, in a major upset, in 1972, the same poll a week before the vote had him behind by seven points, whereas he won by 10.

His edge now may be put down both to his own diligence as a Senator who has never neglected his constituents but perhaps more to the shortcomings of his opponent.

Mr. Jepsen, a silver-haired former Lieutenant Governor, is a rather dogged ultra-conservative who plugs away at the litany

of the Right—lower taxes and a balanced budget, but bigger defence spending, anti-abortion, anti-Panama Canal, anti-equal rights for women—but without the flair that others of his political persuasion have used successfully.

Moreover, Mr. Jepsen for all his use of conservative expertise, has developed intermittently severe cases of foot-to-the-mouth disease.

Even Iowa Republicans demur at suggestions that social security be shifted to the private sector or at his defence of a former state official who wanted the State Commission of the Blind to be provided with a private military arsenal.

The popular and moderate Republican Governor, Mr. Robert Ray, considered certain for re-election, has visibly been distancing himself from his party cohort.

Not that Mr. Clark, on the stump, is a flaming liberal. Never a man of great charisma, he has adopted a dignified and boring senatorial posture. He talks of cutting the fat, but not the meat, from Government.

US MID-TERM ELECTIONS

Mr. Clark has painstakingly rebutted the charges—and has seen Mr. Jepsen tie himself in knots over comments that have been interpreted as overly sympathetic to Apartheid and to Mr. Ian Smith and the "Christian coalition" in Rhodesia.

The uncertainty at this late stage of what both sides agree has been a dirty campaign is due more to Iowa's political tradition.

Although registered voters are evenly divided between Republicans, Democrats and Independents, and although both Senators and four out of the six Congressmen are now Democrats, the superiority is thought to be fragile.

Democratic apathy at the polls is a factor that concerns Mr. Clark, as does the possibility that one-issue advocates (on abortion, for example) may strike some chords in the electorate.

A turn-of-the-century local politician once said that "when Iowa goes Democrat, Hell will become Methodist." Next Tuesday will tell if the old saying still has validity.

# Republican Senator in hard fight

By David Buchan

WASHINGTON, Oct. 31.

ONE OF the biggest upsets in next week's Congressional elections could come in Illinois, where Senator Charles Percy, often mentioned as a Republican Presidential hopeful, appears to be fighting a losing battle to win a third six-year term in the Senate.

An Illinois poll by the Chicago Sun-Times over the weekend put Senator Percy at 17 per cent, 17 points behind his Democratic challenger, Mr. Alex. Scitth, a relatively unknown Chicago lawyer.

A partial poll published yesterday, covering 100 Chicago suburbs and 100 counties, put Mr. Scitth 17 points ahead.

Senator Percy, a former president of the Bell and Howell Company and generally considered to be on the left of his party, is apparently in trouble for some of the liberal stances he has taken.

Meanwhile, polls by the Richmond Times-Dispatch show that the former Secretary of the Navy, Mr. John Warner, will have to fight an extremely tight race against his Democratic opponent, Mr. Andrew Miller, for the Senate seat in Virginia.

But the same polls seem to show that Mr. Warner's campaign is not being helped by his wife, the former actress Elizabeth Taylor.

According to the poll, the number of Virginians who consider Mr. Taylor a hindrance to her husband has risen from 34 to 49 per cent.

Pan Am staff back to work

NEW YORK, Oct. 31.

PAN AM staff had resumed normal operations today with flight attendants obeying their union's request to end their industrial action over failure to reach agreement on a new contract.

Absence of as many as half the 3,000 stewards and stewardesses, who started reporting ill last Friday, caused long delays and some cancellations.

A court order, against the action was issued on Saturday, but staff continued to report sick, with union officials saying they had not been served with the order.

## U.S. OIL IMPORTS

# The post-Energy Bill era

BY DAVID LASCELLES IN NEW YORK

THEORIES abound as to why

President Carter's Energy Bill failed to help the ailing dollar. But one of the most pertinent is the claim that no one knows what the bill means—if any thing—for the bottom line. In this case oil imports and the balance of payments. Though the Department of Energy ran through its computerized model of the U.S. economy and came up with a potential saving of about 3.5-5m barrels of oil a day by 1985, this figure, many people believe, could just as easily have been snatched out of the air.

The main reason is that the National Energy Act in its final form contains no provisions at all for the future price of oil in the U.S., an omission which must make it hard to predict market conditions as little as a year or two from now. But the DOE had to make some kind of assumptions about world oil prices, and in the event decided there would be no change in the real price over the next seven years, a view that has been widely challenged.

The DOE's estimate also makes assumptions about how strictly new automobile and lorry standards will be applied, and how effective the new natural gas pricing structure will be in altering the fuel balance. In fact, a footnote acknowledges that the impact of new gas prices as provided for in the Act "will depend upon world oil prices and other market conditions."

It is perhaps unfair to question the DOE's forecasts when they were obviously made under strong political pressure and frequently had to be changed as the Energy Bill was chopped about by Congress. In fact, now that the bill is finally on the statute books, the department hopes to have a more leisurely session with its computer and produce fuller forecasts in the coming weeks.

Whatever the outcome, though, the U.S. has come a long way since President Nixon's Project Independence, which was designed to free the country from energy imports by 1980. In fact, the milestones on that journey make ironic reading.

Gerald Ford, who came to the presidency when it was obvious that independence was impossible, set a target of reducing oil imports to 5m barrels a day by 1985. By the time Mr. Carter presented his energy proposals 18 months ago, this target had slipped to 6-7m barrels a day, and when the Energy Bill finally went through, the figure had reached 9-10m barrels.

Today, U.S. oil consumption

averages about 18.5m barrels a day of which about 5m are imported, somewhat less than the 9m barrels imported last year due to the start of Alaska oil production. The general view is that demand will continue to rise steadily over the next two or three years, to over 20m barrels a day. But then the effects of in-

York-based Petroleum Industry Research Foundation. Mr. John Lichtblau, the executive director, believes that the bottom line saving will work out closer to 1-1.5m barrels a day than the DOE's 2.5-3m, for a number of reasons. He argues that the DOE over-

estimates the amount of "shut-in" gas which could be released

to expire next May, at which time President Carter will have the option to extend them for another 14 months, to September 1981. This choice presents Mr. Carter with either a dilemma, or a useful tactical option, depending on which way you look at it.

Mr. Carter's public position (which he has emphasised in Europe) is that he wants U.S. oil prices to rise to world levels by 1980. However, he failed to persuade Congress to include in the Energy Bill any measures—such as an oil equalisation tax which he says would have saved 280,000-300,000 barrels a day—to achieve this, mainly because the legislature feared for inflation.

But the expiration of price controls gives Mr. Carter a chance to put pressure on Congress by threatening not to extend them unless it passes some kind of oil price legislation. If Congress then fails to act, it would be responsible for whatever increase in the cost of oil ensues. On the other hand, Mr. Carter's own anti-inflation programme could inhibit him from trying any tactic that did not ensure a smooth price transition through Mr. Schlesinger, the Energy Secretary did hint that exception could be made. "Energy is recognised to be a special national problem, perhaps falling outside the area of general constraints," he told a recent Press conference.

But how should that transition be made? By general consent, the equalisation tax proposal, which would have imposed whatever tax was necessary on domestically-produced oil to bring its price up to world levels, is dead. One alternative would be to liberate oil prices and introduce a parallel windfall profits tax on the oil companies to prevent them being the sole beneficiaries. Another would be to alter the definition of oil categories (at the moment newly discovered oil earns a higher price than old oil).

In the coming months, the Department will be putting together its National Energy Plan No. 2, a follow-up to the plan it produced in 1976, which formed the basis of Mr. Carter's energy proposals. Apart from devising an "equitable mechanism" for sharing out windfalls from any oil price increase, it will also look into ways of enhancing domestic energy supplies (including the more exotic forms) and raising the efficiency of energy use.

The plan is due out on April 1, a date which the DOE admit could have been better chosen. But only once Congress has absorbed what it says and acted on it, will the long-term energy picture become much clearer.

on to the inter-state market by the relaxation of price controls. (At the moment many gas producers are not selling their gas across State lines because they are subject to federal price controls. As a result, large surpluses are building up in gas states.)

Mr. Lichtblau also believes that technical and other difficulties will prevent utilities from converting from oil and gas to coal as fast as hoped. On the other hand, he believes there is enough in the Energy Bill to make a worthwhile impact on U.S. oil consumption, and he describes the target of keeping oil imports below 10m barrels a day by 1985 as "not unreasonable," particularly given the progress already made on such things as home insulation which has produced big fuel savings.

But even the DOE's critics are stalling in the dark because they have no idea what legislation, if any, is forthcoming on oil prices. At the moment, these prices are controlled by the 1975 Energy Policy and Conservation Act which has kept them a couple of dollars below the world barrel price. However, controls are due

# He that must eat a buttered faggot let him go to Northampton

Once upon a time Northampton was supposed to be the dearest town in England for fuel. The building of the canals helped to ease the situation and, in these days of high-voltage power lines, modern motorways, and North Sea oil, the problem, if it ever existed, is now well and truly solved.

Not only does Northampton now have the power, but also knows how best it can be used. Industry has always been well established in the town and many manufacturing, distributive and

office concerns have chosen its central location as the ideal for their headquarters. As well as excellent housing to rent or buy, your employees have available a wide range of social, sporting and cultural activities.

Buttered faggots were never a local delicacy. With the quality of life the historic county town of Northampton offers, who needs them anyway?

For further information contact Leslie Austin-Crowe, Chief Estate Surveyor, Northampton Development Corporation, 2-3 Market Square, Northampton NN1 Telephone (0604) 34734



# Pan Am staff back to work

NEW YORK, Oct. 31.

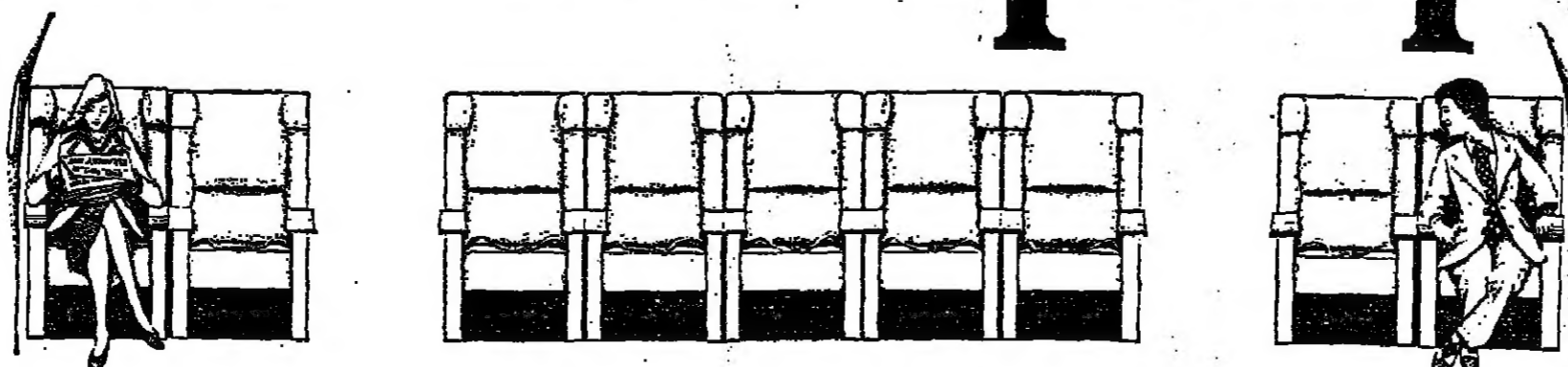
PAN AM staff had resumed normal operations today with flight attendants obeying their union's request to end their industrial action over failure to reach agreement on a new contract.

Absence of as many as half the 3,000 stewards and stewardesses, who started reporting ill last Friday, caused long delays and some cancellations.

A court order, against the action was issued on Saturday, but staff continued to report sick, with union officials saying they had not been served with the order.

Today, U.S. oil consumption

# If you're going to Texas, don't miss the wide-open planes.



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## Egypt-Israel peace talks resume after 10-day interruption

BY DAVID SUCHAN

WASHINGTON, Oct. 31

FOR THE first time in ten days, the Egyptian-Israeli and U.S. delegations that morning sat down together to resume their interrupted negotiations for a peace treaty between Egypt and Israel.

Mr. Cyrus Vance, the U.S. secretary of state, who is chairing the delicate negotiations, yesterday met both sides separately, after which Mr. Joseph Dayan, the Foreign Minister leading the Israeli team, said: "We are about to solve some of the really tough issues, which is encouraging." His Egyptian opposite number, Mr. Boutros Ghali, echoed the sentiment.

President Carter has cancelled a conference today, to avoid the possibility of having to make a public statement on the controversial Israeli decision to expand Jewish settlements on the West Bank of the Jordan river. That decision nearly led to the recall of Egyptian negotiators from Washington last week.

The administration feels it has already adequately made known its "deep displeasure" to Israel, without Mr. Carter

undermining it on the very day the talks resume.

Mr. Jody Powell, the White House Press Secretary, has said President Carter does not plan to see Prime Minister Menachem Begin, when the latter arrives in New York later this week to receive an award from the National Council of Churches, even though Mr. Carter will be in the same city for an election campaign rally.

The last meeting of all three delegations in the Washington peace talks was on October 2, when they agreed tentatively on a draft treaty text for submission to the Egyptian and Israeli governments.

Both governments now want changes, many of them contradictory, in the draft treaty, and today's talks will be aimed at trying to accommodate these.

The Camp David framework agreement set a three-month deadline (December 17) for the completion of an Egyptian-Israeli peace treaty. This had originally seemed a relaxed timetable for the negotiations. But with the 10-day hiatus caused in part by the row over the West Bank settlements, it now seems less so.



The party candidates (left to right): Ohira, Fukuda, Nakasone, Komoto

### JAPANESE POLITICS

## Fukuda favourite for party leader

BY CHARLES SMITH IN TOKYO

MR. TAKEO FUKUDA, now 73 and nearing the end of his second year as Prime Minister of Japan, seems virtually certain to lead the poll in a primary election for the presidency of the ruling Liberal Democratic Party, which starts on Wednesday. This marks a sharp change from the position earlier this year when Mr. Fukuda appeared to be lagging badly in public opinion polls, and in the estimation of his fellow LDP Diet members.

The main reason for the Prime Minister's eve-of-poll emergence as the favourite to succeed himself seems to be the remarkable series of diplomatic successes for which he has managed to claim (and may well deserve) most of the credit. Mr. Fukuda "did well" by the standards of previous Japanese Prime Ministers at the Bonn summit taking the initiative in several areas instead of waiting to be criticised by his Western colleagues for Japan's failure to curtail its balance of payments surplus. He did even better in August when the negotiations on the long-awaited Japan-China Treaty of Peace and Friendship were finally wound up in a glow of enthusiasm about the Sino-Japanese "entente".

### Main rival

Mr. Fukuda's main rival for party leadership is 68-year-old Mr. Masayoshi Ohira, secretary general of the Liberal Democratic Party and a leader (as Mr. Fukuda also is) of one of the main intra-party factions. Mr. Ohira appeared to have the edge over the Prime Minister until the late summer but has failed to come up with a vote winning gambit comparable to Mr. Fukuda's string of diplomatic triumphs. His main strength lies in the fact that he is trusted and liked by other factions within the party apart from his own personal following (including most notably, the now leaderless faction headed by ex-Premier Kakuei Tanaka, in disgrace for his alleged role in the Lockheed affair).

Ohira's parliamentary following is much greater than that of the third ranking candidate for party leadership — 60-year-old Mr. Yasuhiro Nakasone. But Nakasone has been gaining ground outside the party (i.e. in newspaper opinion polls) in recent months and could turn out to be a strong challenger for second position in the primary.

The question of who comes second in the vote is of prime importance given that Mr. Fukuda will probably not stand for re-election at the end of his next two-year term of office. The runner-up at the primary may thus be regarded as the Prime Minister's heir apparent although this will seem more natural if the man concerned is Mr. Ohira than if he is the charismatic, but rather controversial, Mr. Nakasone.

Whoever turns out to be Mr. Fukuda's challenger for the party leadership, it seems certain that it will not be Mr. Toshio Komoto, the last of the four candidates to enter the race and almost certainly the man destined to win the smallest number of votes. Mr. Komoto has a successful business career behind him and seems to be making no less of a success of his current job as Minister of International

### Defects removed

The primary elections system, which will be getting its first trial next month, has been designed by the LDP as a "democratic" leadership selection procedure free from the defects of the old system, which consisted of a single election in which Diet members and prefectural party officials were the only participants. "Money electioneering" in advance of previous LDP leadership polls (particularly in 1979 when Mr. Tanaka was elected party president) led to severe intra-party tensions and finally to virtual collapse of the election system itself (in 1974 when Mr. Miki was arbitrarily selected as leader by a handful of LDP "elder statesmen").

Voters in next month's primary will include the entire paid-up membership of the LDP numbering just under 1.5m people (including about one million who have joined the party in the twelve months or so since the primary system was first introduced). Ballots will be distributed, and returned, by post with the whole process taking four weeks from the formal start of campaigning this week to the announcement of the result on November 28. The winner of the primary will not automatically go on to become party leader — at least not until LDP members of the Diet have had their say in the final run-off election (between the two front runners in the primary) on December 1. It is generally felt however that whoever turns out to be the choice of the 1.5m paid-up members of the LDP will get the endorsement of the 350-odd members of the Parliamentary Party.

### Confidence vote

One advantage of the primary system, from the LDP's point of view, is that it should, with any luck, produce the appearance of a resounding vote of confidence for Prime Minister Fukuda, who will thus be well placed to call a general election once the party leadership election is over. (The LDP would almost certainly increase its majority at an election called, say, next January although technically the present parliament still has another two years to run.)

Critics of the system say that it will have the effect of diffusing the behind-the-scenes power struggles, which are a normal feature of Japanese Conservative Party politics. Into a month-long battle dominating the newspaper headlines and distracting attention from more serious matters such as the health of the nation's economy.

## Ugandan force 'invades Tanzania'

BY OUR OWN CORRESPONDENT

THE TANZANIAN Government today announced that regular Ugandan troops had crossed into Tanzania west of Lake Victoria and were engaged in combat with Tanzanian forces.

The Tanzanian officials said that there was no question that the Ugandans might be stragglers from a group of Ugandan mutineers—they were regular troops, apparently acting on the orders of President Idi Amin.

The nearby town of Bukoba was reported to be on the alert because of the state of near-war between the two countries. Swedish missionaries stationed in Bukoba have been evacuated to a hospital south of the town, but a few

foreigners are reported to be still there.

Some offices in Bukoba have closed, according to reports here, and substantial Tanzanian army reinforcements have been moved into the area.

Uganda Radio, however, made no mention today of an incursion into Tanzania by Ugandan troops, saying that the fighting continued inside Uganda, and repeating allegations that Ugandan forces were repelling an invasion by Tanzanian forces.

Despite reports of an army mutiny in Uganda, Ugandan officials contacted in Kampala today said that this was "nonsense." "There is no internal trouble. There has been no army revolt," one

senior official said.

Conditions in Kampala were described as normal, apart from a shortage of petrol caused by three U.S. oil companies—Esso, Caltex and Mobil—implementing the U.S. Government's embargo on trade with Uganda.

Diplomats here have been reporting trouble in the Ugandan army. They said the main fighting in south-west Uganda was between rival Ugandan army groups, while some of the mutineers had been joined by anti-Amin guerrilla groups from Tanzania.

Latest reports, however, said there had in fact been a Tanzanian incursion into Uganda, but the Tanzanians

had been pushed back, and some Ugandan units may have pursued them into Tanzania.

There is no independent information on the situation. Uganda has not announced the recent bombing of the Tanzanian town of Bukoba, and no further statement has been made on threats by President Amin to bomb Dar Es Salaam and other Tanzanian towns.

● Tony Hawkins writes from Salisbury: A total of 654 people died in the Rhodesian guerrilla war during October, according to official figures published by Combined Operations headquarters here. This is the second largest monthly death-toll since the war started nearly six years ago.

## Severe drought in China

BY COLINA MacDOUGALL

CHINA IS facing a significant wheat, is affected by "crippling drought," the worst for over 100 years. The adjoining provinces of Jiangxi and Guangdong have also been badly affected. In Anhwei, estimated to produce about 6 per cent of China's total grain crop, all major reservoirs and rivers have now dried up, and Lake Chao Hu, which is over 25 miles long, is now only knee deep.

While China every year faces bad weather in some parts of the country, and is particularly prone to drought in the north, this year's worst calamity is affecting an area which normally enjoys reliable rainfall and is a substantial producer of rice and

## Second clash in S. Africa

BY QUENTIN PEEL

JOHANNESBURG, Oct. 31

A FULL SCALE police search, using helicopters and headed by a specially trained anti-terrorist unit, was under way today in South Africa following a shoot-out yesterday between police and suspected nationalist guerrillas.

The incident, the second of its kind in four days, took place in the Northern Transvaal, some 40 miles west of Louis Trichardt, about 80 miles from both the Rhodesian and Botswana borders, close to the Lebowa tribal homeland. It was also close to the sole direct rail link between South Africa and Rhodesia, which passes through Beitbridge.

General Mike Geldenhuys, the Commissioner of Police, said a

## Poor nations helped by debt write-offs

BY DAVID MARSH

THE POOREST developing countries will save roughly an annual \$300m in debt service payments over the next 10 to 20 years through the measures taken up to now by industrialised nations in writing off bilateral aid debts.

That is the conclusion of UNCTAD officials reviewing how many of the rich countries have implemented their pledge of last March to soften the terms of past bilateral development assistance to the world's poorest.

Action last month by West Germany and Japan means that 11 advanced countries have now decided to cancel past development loans, forgiving principal and interest payments worth more than \$600m due over the next decades.

And UNCTAD estimates that the total benefit to the Third World would amount to over \$700m annually if all OECD donor countries wrote off outstanding development loans to the hard-core poorest in the United Nations "least developed" category (the LDCs) and also softened interest rates and grace periods on past loans to the marginally less needy states in the "most seriously affected" group (the MSACs).

The aim is simply to bring the terms of outstanding aid into line with present easier conditions. OECD countries now generally channel all new bilateral aid to the LDCs through non-repayable grants and provide assistance to the MSACs under highly concessional conditions.

● West Germany decided to cancel DM 4.3bn (\$2.4bn) owed by most of the 30 LDCs.

● Japan, although avoiding a formal debt write-off because of legal problems, agreed to provide ¥130bn (\$730m) in additional grant aid to LDCs equivalent to the annual principal and interest on their outstanding development credits.

● The U.S. Congress, passing the new Foreign Aid bill, gave the country's Agency for International Development (AID) authority from next October to write off LDC loans. AID is studying how this might be put into effect.

The debt cancellation action, in itself, will not necessarily lead to a net expansion of overall aid in those countries concerned, as the funds generally come from the donor countries' normal aid budgets.

In fact, most countries are committed to a steady rise in aid flows over coming years. The World Bank estimates that net aid from OECD donors this year will rise \$4bn to \$18.3bn, or 0.35 per cent of their collective GNP — although this is still only half the UN's formal target of 0.7 per cent.

## Capital Venturer.

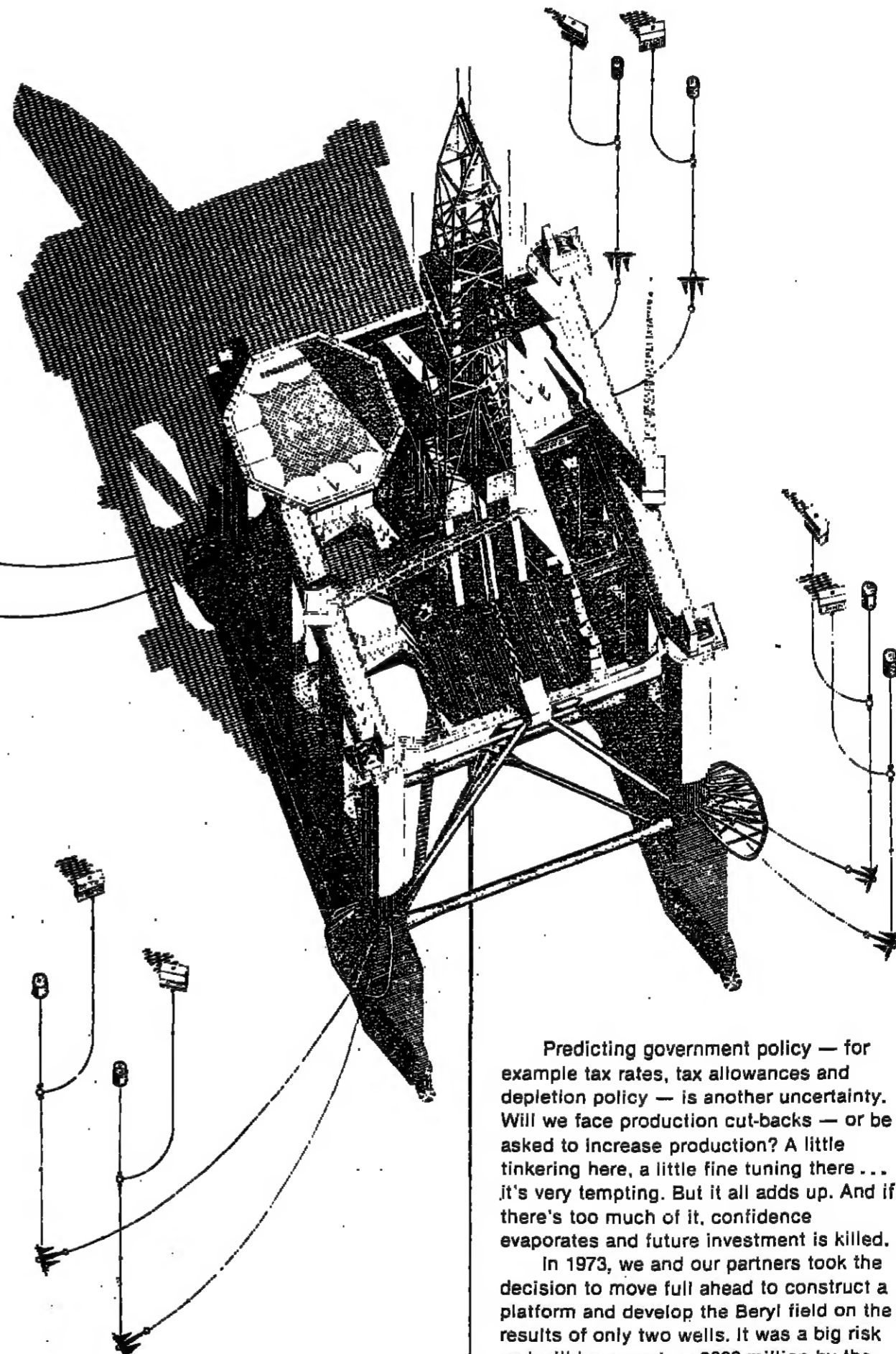
Semi-submersible rigs like this one, riding on their twin pontoons, gamble against one-in-14 odds that they'll find oil in commercial quantities when they drill into the rocks beneath the stormy North Sea. These exploratory wells, costing £3-4 million each, are only the beginning of the risk-taking. The really critical capital venture can come only when the oil has been found.

Once it appears to be there in substantial quantities, our people must decide if it is an economic proposition to proceed with the much more massive, capital expenditure needed to develop and produce the field for 20 or 30 years.

By the time we reached this decision point in the Beryl field off Shetland, we and our partners had spent nearly £10 million. To lift Beryl crude to the surface and deliver it safely to shore could eventually require 30 or 40 times that. Should we have a go?

At that point — the crucial decision whether to go into production — oil and investment teeter in the balance. But there's nothing exotic or mysterious about the decision process. It's a question of economics: are the gains likely to outweigh the costs? Or, put another way, is this venture going to be profitable?

We first add up the costs. How much money do we need? Where can we raise it? What must we pay in interest? When must the loans be repaid? Do we have, or can we train, the skilled personnel needed? What sort of government regulatory and taxation policies can we expect, and how will these affect our costs over the likely lifespan of the field?



Against these costs we estimate the possible gains. How much oil is in the reservoir, and how is it distributed? How much can actually be extracted and in what quantities, year by year? To what extent can the wells thus far drilled be relied upon to tell us the nature and behaviour of the reservoir? Should the gas produced be injected back into the reservoir? And what will be the value of the oil we bring up — not just a few years hence, when production begins, but even in the early part of the next century when we might expect the reserves to run out.

One would always like that little bit more information about a reservoir to help in decision-making. But the £3-4 million cost of drilling another appraisal well (and the delay it involves) has to be weighed against the value of the new data. It's always a very uncertain business, involving critical judgements on the long-term behaviour of oil and gas deposits thousands of feet beneath the earth's surface.

Predicting government policy — for example tax rates, tax allowances and depletion policy — is another uncertainty. Will we face production cut-backs — or be asked to increase production? A little tinkering here, a little fine tuning there... It's very tempting. But it all adds up. And if there's too much of it, confidence evaporates and future investment is killed.

In 1973, we and our partners took the decision to move full ahead to construct a platform and develop the Beryl field on the results of only two wells. It was a big risk and will have cost us £320 million by the end of this year.

Oil first flowed in mid-1976. In 1977, the first full year of production, output from Beryl was 22 million barrels. Over the full life of the field we hope to get out perhaps 400 million barrels from beneath the producing platform.

We reckon we can increase that significantly by development of other nearby reserves, provided our best estimates of possible problems — natural and man-made — indicate a profitable outcome. It's a risk to be faced.

Third in a series on the challenges of North Sea Oil.

**Mobil**





## HOME NEWS

## £1.9m grant given for development of vehicle battery

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A £1.9m GOVERNMENT grant has been awarded to Chloride Silent Power towards the development of a sodium sulphur battery, which the company says will have at least three times the energy of lead-acid batteries.

The company says that the new battery would give road vehicles a range of much more than 100 miles, compared with 60 miles for the present Silent Power vehicles, which incorporate Chloride lead-acid batteries in a Dodge van.

The grant is to be made from the Department of Industry's £20m New Product and Process Development Scheme launched in July last year and which aims to help UK manufacturers—particularly in the mechanical or electrical engineering sectors—bring new commercially-viable products to the market place more quickly.

Chloride Silent Power is jointly owned by Chloride and the Electricity Council. Since it was set up in 1974 to develop the sodium sulphur battery about £2.6m has been spent.

The Department of Industry grant will contribute to the next four years of development expenditure, including the building of a pilot manufacturing plant.

Dr. Brian Halliwell, general manager of Chloride Silent

Power, said yesterday: "Most of the basic research and development problems have now been overcome. We are building a prototype battery which, when complete, will be fitted to a vehicle for trials early next year."

The cost of sodium sulphur batteries is likely to be competitive with that of the lead-acid types, depending on the volume of production.

Chloride claims that among the many advantages of the new battery is that it uses two materials which are relatively cheap and plentiful throughout the world—sodium and sulphur.

Dr. Halliwell said: "Despite heavily funded programmes in America and other parts of Europe, we believe our own research and development programme gives Britain a leading position in the world race for success in this field."

"We welcome this further practical Government support for a project in which all concerned have great confidence."

Government support in the early development stage was given during research carried out by British Rail and by the Atomic Energy Research Establishment, Harwell, when funding was by the Department of Environment and the Department of Industry.

## Monetary system good for UK, says Morse

BY MICHAEL BLANDEN

BRITAIN SHOULD join the proposed European Monetary System from the start, for her own good and for the good of Europe, Sir Jeremy Morse, chairman of Lloyds Bank, said yesterday.

Sir Jeremy, a former chairman of the International Monetary Fund's committee of 20 on monetary reform, was directly opposed to Lord Armstrong, chairman of Midland Bank.

Last week Lord Armstrong said that the proposed European system was worthless as formulated at present and of no advantage to Britain.

Sir Jeremy said at a meeting arranged by the Royal Institute of International Affairs, that Britain had cut its inflation rate to the average for the member countries of the OECD and sterling had been, and could remain, stable with the help of North Sea oil.

Britain should join the proposed system in these more favourable circumstances. For Europe, sterling could be a

significant stabiliser in the mix of currencies and Britain could make an important contribution to solving the technical problems and in stressing the fundamental aspects involved.

For Britain, membership could reinforce the Government's declared aim of further reducing inflation; it would enable the country to work for advantages in other EEC areas, such as the Community Budget and the common agricultural policy; and to share in rebuilding a better base for the world economy.

Sir Jeremy commenting on the turmoil in the foreign exchange markets, said that the lack of confidence in the dollar would be removed only when there was evidence of an improvement in the U.S. trade balance. This could happen within six to nine months, and then there could be an over-reaction.

In the longer term, however, while the dollar would continue to fill a major role as a trading currency, it would be necessary

to look for an alternative reserve currency. These could include the IMF's Special Drawing Rights, and possibly a European currency unit.

In the discussions on the planned new European system, too much weight had been placed on the technical exchange rate and intervention aspects of the proposals. The more fundamental and long-term aspects had been largely overlooked.

These included developing the European currency unit as an alternative European currency which might one day stand besides the dollar; reserve pooling to produce a significant fund for medium-term credit; and a renewed effort to bring the European economies together by co-ordinating policies to cut inflation and unemployment and to promote investment and growth.

The last of these was the most important, he said, because no system of relatively fixed exchange rates could work without closer convergence between the economies.

## National Carriers profit

BY LYNTON MCLEIN

NATIONAL CARRIERS, the road freight subsidiary of the National Freight Corporation, is expected to make a pre-tax profit of £2m this year—the biggest since the company was formed 10 years ago.

The figure compares with the National Carriers' first profit, £250,000 made last year.

Most of the improved profit is expected to have come from an expansion of the company's contract distribution service. This is likely to contribute £8m to the company's £100m turnover, double that of last year. The service is expected to have an £11m turnover next year.

The company yesterday disclosed it had been awarded a distribution contract worth £3m over the next three years to distribute motor parts for Volkswagen and Audi.

National Carriers invested £450,000 in 45 new vehicles which it will operate for VW and Audi. The company has won distribution contracts from Cadbury Schweppes, Lever Brothers, Woolworth and Fiat since the scheme was introduced in January last year.

By next year national distribution contracts are expected to contribute a fifth of the company's growing profits, but will account for only 10 per cent of total turnover.

The parcels business of National Carriers is still losing money. The appointment this month of Mr. Paul Rivers, group director for distribution, was designed to boost parcels activity.

The improved profits expected from National Carriers may help improve the position of the parent company. This made a £9.5m loss last year, but is not expected to break even this year, in spite of the capital reconstruction earlier in the year.

The company's capital debt was written down £55m this year, which reduced the asset value to £100m, but this is not expected to be reflected in the balance sheet until next year.

## Lorry probe urged

BY OUR TRANSPORT CORRESPONDENT

SUPPORT FOR a public inquiry into the case for raising the maximum permitted weight for lorries came yesterday from the road transport industry.

A joint statement by the Road Haulage Association, representing hauliers, and the Freight Transport Association, which represents transport users, said that the inquiry could give an independent verdict on the balance between the economic advantages of heavier lorries and the environmental effects of the change.

The associations, referring to the furore caused in environmentalist circles by the leaking of an internal Department of Transport memorandum in favour of raising the maximum weight from 32 tons to 38 or 40 tons, said it was a pity emotional arguments were again diverting attention from the real issue.

"It is time that the uncertainty on this issue which has plagued British industry, vehicle manufacturers and vehicle operators for a decade was brought to an end one way or another."

## London Hilton plans casino

By Michael Thompson-Niel

The London Hilton Hotel plans to operate a floor casino in partnership with Mr. Levan's Victoria Sporting Club. Mr. Levan is to apply to the Gaming Board and licensing justices for a licence.

The Ladbroke Group was known to have been among the most powerful frontrunners for the London Hilton contract. Hilton International operates more than 70 hotels world-wide and has ambitions to extend its U.S. casino interests.

The London Hilton has been open for 15 years. The casino, planned for the first-floor Wellington restaurant, overlooking Hyde Park, will have nine to 12 tables.

The Victoria Sporting Club has one of the largest casino memberships in Europe—about 100,000. Mr. Levan's interests in Britain also include betting shops and bingo halls.

Casino gambling is one of the most profitable businesses in Britain, although this year the Royal Commission on Gambling, under Lord Rothschild, proposed much higher levies and taxes.

But they have been operating last year, the new taxes would have reduced the profits of London casinos from an estimated £42.1m to £10.2m.

## Mr. L. Hill

MR. LAURENCE HILL, who resigned on Monday as chairman of BAT Industries' International Stores subsidiary, was formerly director of buying within the department store division of United Drapery Stores. He was not chairman of the company, as erroneously reported yesterday.

## Yarrow chief quits British Shipbuilders

BY OUR GLASGOW CORRESPONDENT

THE LAST of the great Clyde shipbuilding families is to sever its links with the nationalised industry after the decision by Sir Eric Yarrow to resign next year as chairman of Yarrow (Shipbuilders).

Sir Eric, aged 58, is the third generation of the Yarrow family to lead what has grown to become one of the UK's three specialised naval yards, employing 5,800.

From March 31, he will confine his activities to being chairman of the family firm, Yarrow and Co., and of its wholly-owned subsidiary, Y.A.R.D.

Mr. Robert Easton, who has been managing director of Yarrow (Shipbuilders) since July last year, will also become chairman.

Sir Eric had never disguised his dislike of nationalisation, first when Yarrow (Shipbuilders) was absorbed into the ill-fated Upper Clyde Shipbuilders and now with British Shipbuilders.

He said yesterday that it had never been his intention to remain so long in a nationalised industry, but he had wanted to see the new management team "played in" before he departed.

None of Sir Eric's four sons has entered the shipbuilding concern so the Yarrow connection with the yard at Scotstoun is now severed.

The company was founded by Sir Alfred Yarrow in 1865 at the small Thames yard on the Isle of Dogs. It moved to its present



SIR ERIC YARROW Distishes nationalisation

location in 1906, rapidly acquiring a reputation for advanced warship construction.

Sir Alfred handed over his posts as chairman and managing director to Sir Harold Yarrow in 1922. Sir Eric joined the company in 1946, became managing director in 1958 and chairman in 1962.

He leaves the company with a £260m order book for four Type-23 frigates for the Royal Navy and four logistical support vessels for the Iranian Navy.

## Sea oil output down to April low

OIL PRODUCTION in the UK sector of the North Sea was down to an average of 1,087,531 barrels a day during September, its lowest since last April.

Figures released yesterday by the Department of Energy show that total crude oil production in September was 4,357,540 tonnes, again the lowest figure since April.

In August, average daily production of North Sea crude was running at 1,103,931 barrels a day and total production for that month was 4.5m tonnes.

## Council home plans

TWO NEW Government initiatives on council housing were announced yesterday by Mr. Peter Shore, Environment Secretary: a new category of housing and extra resources to help the worst estates; and a nationwide pool of council homes so that tenants can move more easily.

The schemes will probably be covered in the proposed new Housing Bill. They emerged during a speech by Mr. Shore at the annual conference and exhibition of the National Housing Federation in Brighton.

## Flights cheaper

BRITISH CALEDONIAN Airways introduced off-peak excursion fares to Paris, Amsterdam and Brussels from Gatwick up to 40 per cent cheaper than existing return fares.

## Giro banking offer

THE National Girobank, banking arm of the Post Office, last night announced free current account services for all its personal customers when they are in credit.

## Home loans plea

HOME BUYERS might face a severe shortage of properties for sale if mortgage lending is not increased, the Abbey National Building Society said yesterday. It commented that an improvement in the flow of mortgage funds is needed after the recent rise in house prices.

## Dover port traffic rises sharply

ALMOST as many passengers and vehicles passed through the port of Dover in the first nine months of this year as in the whole of 1977, the harbour board said yesterday.

Up to the end of September, 7.2m passengers used the port, compared with a total of 7.8m last year. And 1.1m cars used ferries and hovercraft serving Dover, compared with 1.5m during 1977.

The board said that commercial road haulage traffic was still growing at an annual rate of 10.5 per cent.

## Post date

SEAMAIL CHRISTMAS cards and letters for the U.S. and the West Indies should be posted by Monday, the Post Office said yesterday. It was also the last date for Canada where Christmas delivery could not be guaranteed because of a strike backlog.

## Viscount

## Rothermere

A SERVICE of thanksgiving for the life of the 2nd Viscount Rothermere, former chairman and president of Associated Newspapers Group, will be held at St. Margaret's, Westminster, at noon tomorrow. The address will be given by Lord Blake, Provost of The Queen's College, Oxford, and the lessons will be read by the Duke of Marlborough and Lord Rothermere.

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Rembrandt, 'Self-portrait' (1631), Rijksmuseum, Amsterdam.

## Rembrandt country is Rabobank country.

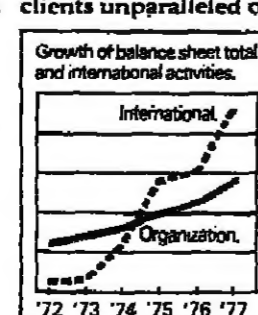
Rembrandt found his inspiration in Holland, yet created art with a worldwide appeal. The Centrale Rabobank also finds its inspiration in Holland... yet increasingly provides services in the world at large.

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## Marathon Oil awaits Brae Field decision

BY BRUCE ANDREWS

A £500M PLAN for the first phase development of the Brae oilfield in the British sector of the North Sea, is expected to go before the Department of Energy for approval within the next three months, according to Mr. Harold Hoopman, president of the Marathon Oil company.

Marathon owns 50 per cent of the Brae Field, the Brae Field operator.

The Brae Field is in block 16/7A, about 150 miles east of Orkney. Initially, Marathon proposes to develop the southern part of the field, which contains recoverable oil reserves of more than 250 million barrels.

Mr. Hoopman said that under the development plan, a steel platform capable of handling 100,000 barrels a day would be installed near the eighth discovery well on the field. It is hoped that production will start in late 1983. The oil would be transported to the UK by pipeline, according to Mr. Hoopman,

but its route has yet to be decided. How far Marathon's plans have been accepted by its partners in the Brae Field is unclear.

Pan Ocean has a 38 per cent share, followed by the British National Oil Corporation (20 per cent), Bow Valley (14 per cent), Kerr McGee (8 per cent), Ashland and Louisiana Land and Exploration (each with 6.5 per cent), Siebens (4 per cent), Saga (3 per cent) and Ashland Canadian (1.4 per cent).

According to Mr. Hoopman, the proposals are about to be agreed, but at least one of the partners yesterday was saying that it saw a need for detailed engineering feasibility studies before the go-ahead could be given.

Long lead time items for the platform, such as steel and compressors, would be specified in the new year, Mr. Hoopman said. The installation would be

most of whom will be recruited from the local area.

It said that it had chosen Teesside as the hook-up base because, skilled labour, suitable for hook-up work, was available in the area.

The hook-up—the final joining together of the oil platform's superstructure—will be carried out offshore, but the Teesside base will be used for material and minor work.

Minor work will also be carried out there, and it will act as a management centre.

Chevron estimates that at the peak of the hook-up operation in 1984, between 600 and 800 people will be employed at the base, Ugh Marine Oil.

## VW and Audi prices to rise by 5.5%

BY SUE CAMERON

VOLKSWAGEN and Audi prices are going up in the UK by an average of 5.5 per cent as they introduce the 1979 models.

The importers say that prices have not been increased since last spring and most models have new features, improved specifications and some technical improvements.

Examples of new prices: the Polo N goes up from £2,410 to £2,535; the Golf L from £3,065 to £3,295; and the Audi 100 Avant CD SE automatic from £7,530 to £8,138.

The VW light truck increases include the LT 31 chassis cab which goes up from £4,225 to £4,450, and the LT 35 panel van up from £4,885 to £5,109.



A complex one. Set in 340 feet of water, it would carry equipment for water injection and the re-injection of gas, which should improve oil recovery.

Mr. Hoopman emphasised that the programme he outlined was intended only as the first phase of the Brae Field development. There were plans for the subsequent development of reserves around the third and second discovery wells to the north of the field and possibly around the first discovery well.

The Brae Field is one of the most geologically enigmatic in the North Sea. Oil industry analysts have varied widely in their estimates of total reserves, putting them at anything from 180m to 1bn barrels.

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CITROEN	WEEKLY UNLIMITED <b>£72.50</b>	WEEKLY UNLIMITED <b>£83.00</b>	WEEKLY UNLIMITED <b>£80.50</b>	
FORD (1000 cc) GL AUTO	WEEKLY UNLIMITED <b>£95.00</b> <sup>1.6j</sup>	WEEKLY UNLIMITED <b>£125.00</b> <sup>2000i</sup>	WEEKLY UNLIMITED <b>£105.00</b> <sup>1.6i</sup>	
CORTINA (1100 cc) 1000L	WEEKLY UNLIMITED <b>£95.00</b>	WEEKLY UNLIMITED <b>£112.00</b>	WEEKLY UNLIMITED <b>£105.00</b>	
GRANADA (1000 cc) AUTO	WEEKLY UNLIMITED <b>£140.95</b>	WEEKLY UNLIMITED <b>N/A</b>	WEEKLY UNLIMITED <b>£159.25</b>	

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## LABOUR NEWS

## Pay threat to GKN by unofficial body

BY NICK GARNETT, LABOUR STAFF

**DIFFICULTIES** FACING engineering companies in settling within pay guidelines were emphasised yesterday as industrial disruption threatened the GKN group.

The unofficial shop stewards' committee, which claims to represent workers throughout GKN, has called for a one-day strike on the group's 70,000 work force next month over pay.

Individual companies in the group have already suffered strikes over pay, although so far most disputes have been settled. The group consists of 200 separate companies making a range of engineering products, including car transmission and axle parts, scaffolding, and nuts and bolts. About half the group's

production is for the motor industry. Group management says the individual companies, whose pay settlement dates range from August to next July, negotiate with the unions independently, although the unofficial works committee has apparently accused the group of trying to enforce central control on wage negotiations. The management denies this strongly.

The committee has no bargaining rights within the group, and it is still unclear what support the strike call will receive. The main unions representing manual workers are the Amalgamated Union of Engineering Workers and the Transport and General Workers' union.

One principal problem for GKN companies, as for other

engineering employers, results from the national engineering agreement earlier this year.

The Government insists that that agreement, which boosted earnings by 11 per cent, be costed against the 5 per cent guideline.

Difficulties in affecting the effect of the national agreement are thought to have contributed to a strike by a section of the workers at a Smithwick Drop Forge, a GKN company. The dispute was eventually settled through a productivity scheme.

The Renault power transmission factory at Coventry was the first large plant to be hit by industrial disruption because of offsetting. The factory was shut by a four-week strike, also ended by agreement on a productivity deal.

## Buckton attacks bonus inquiry proposals

MR. RAY BUCKTON, leader of the locomotive union ASLEF, said yesterday that he was bitterly disappointed by the outcome of the inquiry into British Rail bonus schemes.

Although he spoke of "irreconcilable differences" among members, he refused to be drawn on whether it could lead to a rail strike.

He plans to call an emergency meeting of the union's national executive to discuss the recommendations of the tribunal, headed by Oxford don Lord McCarthy.

Speaking from his hotel room in Prague, where he is on union business, Mr. Buckton said: "This is a matter for very serious thought and consideration. We shall discuss it in depth at a meeting—probably next week."

**Guards** ASLEF had demanded responsibility payments for its 27,000 members, to match bonuses of up to £5.75 a week paid to guards who issue and collect tickets on trains calling at unmanned stations.

The tribunal has recommended extra money for only drivers on the 125 mph high speed trains.

The claim almost led to a strike earlier this year, Mr. Buckton said. "I don't want to comment on the possibility of industrial action."

"I don't know how my members have been able to keep so quiet since April on this issue. There is tremendous ill-feeling."

The tribunal recommendations were beneficial to neither union members nor the industry.

## Eight Hull trawlers blacked

EIGHT HUMBERSIDE deep-sea trawlers, based at Milford Haven, West Wales, have been blacked by two unions because their owners are allegedly importing skilled craftsmen to maintain and repair the vessels.

The dispute is likely to intensify within a week unless written assurances are given. About 150 men in the Transport and General Workers' Union may refuse to handle the Hull trawlers' cargo of export mackerel.

The engineering workers' district secretary, Frank Jones, said sanctions were being taken not only because local men were being deprived, but also because of a Milford docks by-law that local labour should be used on visiting ships.

The dispute may mean that Hamlyn and the Royal Liverpool, the about the matter until after their fleet, which provides an important economic boost for Milford Docks Company.

But Mr. Jones said: "We want these ships in the port, but we also want a fair deal and we are seeking support from every quarter necessary."

The confederation will advise the general secretary, but does intend to say anything more about the matter until after its council meeting on November 7.

The confederation represents about 50 organisations, including insurance staff associations, the British Aerospace Staff Association, some industrial managers' federations of white-collar staff unions in individual manufacturing companies.

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## CBI QUARTERLY INDUSTRIAL TRENDS SURVEY

## Confidence improves but price remains a handicap

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A GRADUAL although patchy improvement in business confidence in manufacturing industry was reported yesterday by the Confederation of British Industry. It is heavily qualified by deteriorating price competitiveness and weak order trends.

The report is based on the confederation's quarterly industrial trends survey among nearly 2,000 manufacturing companies during the first half of October, when difficulties were mounting over the Government's 5 per cent pay limit.

The survey shows that optimism about business in general has improved modestly. Working hours capacity has become less widespread than in recent surveys, although it still affects three-fifths of companies.

Trends in total new orders and output are not strong yet and unit costs are continuing to rise. Price competitiveness has deteriorated, but competitiveness about export prospects has improved slightly.

Employment shows no general sign of a rising trend, although shortages of skilled labour are being reported more frequently. Smaller companies seem generally more optimistic about the future than large ones and have submitted better returns to the confederation on matters such as employment intentions, company liquidity and capacity working.

On balance, the confederation concludes that the prospects for manufacturing in the next four months are still good across the industry.

Output volume has risen during the past four months for 23 per cent of respondents, but fallen or 15 per cent. However, materials stocks have changed little, although stocks of finished goods have been reduced somewhat and work in progress shows a slight upward trend.

Of the factors that are likely to limit output over the next four months, shortages of orders or

serious reports have been made from the South-East and the West Midlands. A few companies report a fall in new export orders received over the past four months, and the survey mentioned that as a constraint to output. Slightly more than a fifth of engineers' small tools businesses said it was causing difficulty.

Although skilled labour is short, the level of employment in manufacturing industry shows no sign of increasing. A balance of 14 per cent of respondents reported a fall rather than a rise in numbers employed since June. A balance of 12 per cent expected less employment during the next four months.

"On the basis of the past four months," the confederation says, "the level of employment in manufacturing industry shows no sign of increasing. A balance of 14 per cent of respondents reported a fall rather than a rise in numbers employed since June. A balance of 12 per cent expected less employment during the next four months."

Prices of most manufactured goods are continuing to rise, and the percentage of respondents expecting prices to limit new orders being secured has returned to the peak levels recorded in the first half of this year.

"Lack of price competitiveness is widespread, limiting the exports of at least six out of ten firms in 29 of the 44 detailed

relationships between this data and official statistics of manufacturing employment," the confederation says. "A six-monthly survey of corporate liquidity suggests that net liquidity in manufacturing industry as a whole is much as it was a year ago, although there has been a relatively widespread improvement among the smaller companies and producers of consumer goods. There has, however, been a marked deterioration among the largest companies."

Investment intentions continue to accord largely with the experience of previous business cycles. "If past relationships between our figures and official statistics hold, and if the industrial climate does not disappoint next year, we will see an increase of 5 to 10 per cent in the volume of private manufacturing investment," the confederation says.

"This follows an increase of about 13 per cent in 1977 and of two (expected) about 10-15 per cent this year—implying an increase of just under 40 per cent in three years."

Optimism about export prospects for next year has improved slightly compared with earlier results. Annual subscription £35; this year but remains far from strong. Confidence is strongest (CBI members £29). 21 Tothill Street, London SW1

Turning to costs and output, the survey shows that 56 per cent of companies have experienced increases in average costs for each unit of output in the past four months. That is of 5 to 10 per cent in the volume roughly the same as in the past two quarterly surveys and prompts the confederation to comment: "Cost inflation may have stabilised this year, but at a rate which remains high by the standards of, say, the 1960s."

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## Larger councils agree on 5%

By Pauline Clark, Labour Staff

EMPLOYERS' NEGOTIATORS for big metropolitan councils agreed yesterday to work within Government guidelines in all wage negotiations this year.

White-collar staff, teachers and manual workers will be affected. Representatives of more than 20 negotiating bodies dealing with upwards of 1m local authority employees in the main industrial areas were meeting in London to discuss pay in general.

Amid uncertainty over the eventual outcome of TUC talks with Ministers about the 5 per cent policy, the employers are anxious to meet the Government's demand that it knows whether it can agree with unions before settling limits on cash available to local authorities for the present wage round.

Representatives of the Association of Metropolitan Councils said after the meeting that any increase in the present 5 per cent limit for wage increases this year would involve "enormous sums of money". They estimated that every 1 per cent increase would cost about £20m.

The meeting followed Monday's claim by union negotiators for a 1m local-authority manual workers, which included a demand for a £80m minimum wage, compared with the present £42.50.

The employers said that that demand alone was worth about 40 per cent, while the total package, including a claim for a 35-hour week and other improved benefits, would, they estimated, add more than 70 per cent to the wage bill.

They pointed out that even quite a small rise in the Government's low pay ceiling set at £44.50 in its anti-inflation White Paper, would greatly affect council's wage costs.

Manual workers' negotiators were also said to have "surprised" the employers with their additional demand for wages to be linked to an index of average earnings at two-thirds of the national level.

Ulster warders drop ban on readmission

By Our Belfast Correspondent

ULSTER WARDERS called off their industrial action yesterday after intervention by Mr. Dan McConnachie, Minister of State responsible for prisons in Northern Ireland.

He agreed to meet local officials of the Prison Officers' Association this week about their claim for a £2 increase in a special daily allowance of £3.

They dropped a ban on readmission of prisoners released to appear in court. This was only hours before 134 of these were due to be reintegrated in custody.

Passengers and freight services from Larne may be hit on Saturday if 40 dockers carry out a threat to strike over delay on a productivity pact.

## Provincial newsmen are offered 5% plus a promise

BY PAULINE CLARK, LABOUR STAFF

BRITAIN'S 9,000 provincial journalists were offered a full 5 per cent pay rise yesterday with a promise that if Government pay policy changes by mid-November a further increase will be considered.

However, Newspaper Society negotiators made clear that provincial newspaper employers were not prepared to breach pay policy, and rejected a claim for a £20 across-the-board increase from the National Union of Journalists.

They told the union that if the 5 per cent pay limit was not raised, they would be willing to put a case to the Department of Employment for additional senior journalists.

Yesterday's meeting, in which union negotiators also demanded longer holidays, a 35-hour week, London weighting allowance and improved maternity pay, was the

first at which employers had responded to the claim. Basic rates for provincial journalists after training are between £60.92 and £68.82 a week, which the union has described as "nothing short of a scandal".

It says that even excluding trainees and adding the pay of executives (although not editors) average earnings on provincial newspapers are less than £80.

In particular, the union is concerned that unless pay is improved substantially, the drain of talent from the provinces will continue, with senior jobs still going unfilled.

In a recent document on pay and conditions distributed to all its provincial members, the union said that the Newspaper Society should "act now to raise pay rates substantially, regardless of arbitrary limits bandied about by politicians."

The confederation will advise the general secretary, but does intend to say anything more about the matter until after its council meeting on November 7.

The confederation represents about 50 organisations, including insurance staff associations, the British Aerospace Staff Association, some industrial managers' federations of white-collar staff unions in individual manufacturing companies.

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## APPOINTMENTS

## Executive posts at Williams &amp; Glyn's

Mr. Norman Quirk and Mr. Adam Thomson have been appointed directors of WILLIAMS & GYLN'S BANK. Mr. Quirk is chairman and managing director. H. and J. Quirk Group, and Mr. Thomson is chairman, British Caledonian Airways. Mr. Maurice Davenport, at present controller and divisional director, has been made an executive director of the bank.

Mr. S. W. Livesey has been appointed chairman of Plantation Holdings following the resignation of Sir Kenneth Cork, who is to be the next Lord Mayor of London. Sir Kenneth will remain a consultant to the company in an honorary capacity.

Mr. Charles Curran has joined the Board of the NATIONAL UNION OF JOURNALISTS. He is managing director of Visnews and was director general of the BBC from 1969 to 1977.

Mr. E. J. Sudin has been appointed director of NABEFA (NATIONAL ASSOCIATION OF BANKERS' EMPLOYEES). He is chairman of Malaya Mining Corporation.

Mr. R. Bradbury, at present deputy investment manager (real estate) of the COOPERATIVE INSURANCE SOCIETY, is to be

Mr. John Yates, the Guardian-Gazette Group Editor, has been appointed to the board of LONDON AND ESSEX GUARDIAN NEWSPAPERS.

Ing. C. Olivetti and C. SpA, has appointed Mr. Ettore Lalli as chairman of BRITISH OLIVETTI LIMITED. Mr. Lalli, who takes charge of the group's operations in Japan, Mr. Lalli is a member of the Olivetti parent board in Italy.

Mr. R. Bradbury, at present deputy investment manager (real estate) of the COOPERATIVE INSURANCE SOCIETY, is to be

## Three new directors for Rothschild

Baron Eric de Rothschild, retired from the bank Mr. Cave John Dinkelund and Mr. Gilbert who is a director of Midland Bank, have joined the Board of N. M. ROTHSCHILD AND BANK Finance Corporation and of SOBS as non-executive directors.

Mr. V. E. G. Tagliavini has relinquished his position as group chief executive of NSS NEWS-AGENTS. Succeeding him is Mr. R. G. Schweitzer, Mr. Tagliavini, on his retirement from full-time duties will remain on the board and become a deputy chairman of the group.

CITEM SYSTEMS has made the following appointments: Dr. Martin Sherwin, formerly vice-president, research and development at Chem Systems Research Centre, Fairfield, New Jersey, has been appointed managing director of the company's London subsidiary operation. He succeeds Mr. J. Bennett who will be taking up a new position with the London office as vice-president with responsibility for the group's activities in Europe.

Mr. J. A. Cave has been appointed chairman of GRIFFIN FACTORYS, the company responsible for farming services in the Midlands and East of England. He is succeeding Mr. R. O. Barker, who has 1978-79 session.

Mr. George M. Bauman has been appointed managing director of COMPOWER, the National Coal Board's computer bureau subsidiary. He was previously deputy managing director and replaced Mr. Bob Hitebeck, who has become managing director of NCB (Ancillaries).

Mr. Bernard Norman has been appointed managing director of THOMAS COOK LIMITED. Mr. Alan Kennedy, who recently became managing director (travel) of the Thomas Cook Group, remains on the Board of Thomas Cook Limited.

Professor Reginald Coates, Professor of Civil Engineering at the University of Nottingham, is to become the new president of the INSTITUTION OF CIVIL ENGINEERS on November 7, 1978.

Mr. K. G. Kitching has retired from the GAPPER-NEILL board but remains a consultant.

## General replies

TOTAL TRADE—1953 respondents. All figures are percentages on a weighted sample.

When you forget to turn the lights off on most cars, they have a sure way of reminding you.

They don't start the following day. Now for their latest 200 series Volvo have found a much kinder way.

If you haven't switched off, a buzzer goes as you leave the car. (It also buzzes if you forget the ignition key.)

At Volvo, we know you're only human. You don't have eyes in the back of your head, so when a bulb goes out where you can't see it, a bulb lights up on the dash where you can.

Your back wasn't designed for 300 miles on a motorway.

So we built a seat that was. It has an adjustable lumbar control that gives you the support nature didn't provide.

The 1979 big Volvos even have washer/wipers on the headlights, so even in bad weather you're beaming.

The fact is, the people who design Volvos never forget who they're designing them for.

People.

**YOU'VE LEFT  
THE LIGHTS ON.**



# IS YOUR CAR AS CONSIDERATE AS A VOLVO?



## The Management Page

M. K. M. M. M.

EDITED BY CHRISTOPHER LORENZ

## Standing on the threshold of a revolution in company law

## Awards for business innovation

**BUDDING** entrepreneurs in Britain, France and Germany are being presented with an opportunity to win an award which would provide them with around £100,000 of funding, on normal commercial terms, with which to develop their own business.

The competition is for the European "Company of the Year" and involves three financing organisations—Development Capital, in the UK, Sofinnova S.A., in France, and Deutsche Wagnissanierungsgesellschaft, in Germany.

The launch of the competition will also take place on two television networks. In the UK it will be on BBC2's The Money Programme, on November 8, while in France Antenne 2 Television is involved.

## Special

In the first round of the two-part competition—which will be held simultaneously in the three countries involved—an award of around £100,000 will go to each national winner which is judged to be potentially the most profitable business, or plan for a business. If appropriate, there will also be awards to runners-up.

In the second part, the national winners will be assessed by a panel of judges and the overall winner will receive a special prize, which has yet to be disclosed.

With the national award schemes, assessments will be done by the national financing organisation concerned. Thus, Development Capital, which is an associate of Small Business Capital Fund and Development Capital Investments, will judge the UK entries.

Mr. Hugh Armstrong, managing director of Development Capital, feels the award scheme will enable a "fascinating insight" to be gained into the problems of small business in Europe as a result of the comparisons to be made on television. He feels the British and European entrepreneurs must be "similar" animals and it will be both revealing and interesting to hear the different methods and the opportunities.

Entries for the competition, details of which will be in the November 2 issue of Radio Times, will be accepted up to December 23.

IT HAS been said that British company law has flourished under a kind of benign neglect. But that is about to change. Exceptionally, company law is receiving legislative priority. It will produce the biggest changes in British corporate legislation for more than 30 years. The Companies Bill which is about to be presented to Parliament is no more than the precursor of a series of new measures which will be introduced over the next five to ten years and which will fundamentally reshape our company law. All companies, large and small, will feel the effects.

The changes we are about to see are profound. They mark the end of what may be termed the comfortable tradition of British company law and the introduction of a far more prescriptive and tightly administered system. The new thrust is clearly indicated in the draft Bill contained in the Government's White Paper "Changes in Company Law" published in July. It is this Bill, or something very close to it, which we can expect to see presented to Parliament very shortly. So far, it has attracted attention mainly for its contentious provisions on insider trading—the improper use of inside information to profit from share transactions.

But the "insider" trading clauses form only one part of the Bill; if they are ignored, there remains far more of significance than has generally been realised. The Bill's main contents, and its implications for the administration of companies, have attracted insufficient notice. Its innovations include a wholly new class of company (investment companies) with special rules; stricter rules to govern the distribution of profits and tighter regulations of interim dividends; the duties of directors will for the first time be statutorily defined, and significantly enhanced rights of redress for individual members of a company who have been unfairly prejudiced, will be enacted.

The introduction of the designation "p.l.c." in place of the familiar "Ltd." for public limited companies is the most visible change proposed in the

Bill. But in fact the differences between public and private companies will be profound in principle.

As now, only a public company will be empowered to seek finance from the public. But in future public companies will pay a far sterner administrative price for this privilege than they do now. On the other hand, private companies, which at present have no significant advantages in easements compared with public companies, will in future be exempt from some of the stricter rules applicable to public companies. They will not, for instance, have to observe the minimum capital requirement (£50,000) nor the new rules governing the maintenance of capital, distribution of profits and loans to directors.

A major change will be the introduction of strict rules governing distributions. Hitherto statute law has been silent on the matter and the position has been governed by decided cases—unclear at best, and sometimes conflicting. The new rules will not without their complexities, but broadly they can be summed up by saying that the basic rule for all companies (public and private) will be that distributions may be made only out of retained realised profits after making good realised losses.

(The Bill does not define "realised," and it is foreseeable that the interpretation of this term will create anxiety in some cases—for example, where it has been the practice to bring into account profits on long-term contracts on the percentage of completion basis). Public companies, however, will also have to make good unrealised capital losses in determining the amount avail-

THE Queen's Speech today is expected to include an announcement of the introduction of a Companies Bill in the current session of Parliament.

Industry has had the advantage of having already seen some proposals published in draft form, although

the details attracted little attention at the time since it was felt that legislation was far from imminent.

Now, legislation is very much a reality and Michael Renshall makes it clear in this article that the biggest changes in corporate law for more than 30 years will be involved.

able for distribution. The Bill affirms an attitude of prudent conservatism in determining what is distributable, but not all companies will find it fits comfortably with their dividend policies.

Little comment has been aroused by the proposal that a public company may only pay a dividend if it has received an unqualified audit report. The distribution rules apply to any distribution, including interim dividends, so that a plea proposing to pay an interim dividend which, on the basis of the latest filed balance-sheet would appear to contravene the rules, will be prevented from doing so unless it prepares and files additional (or interim) audited accounts. These provisions will plainly present problems for companies with low or nil dividend cover whose practice is to pay interim dividends.

The Bill's definition of "unqualified audit report" does not appear to have the same meaning as that term generally accepted by auditors and these provisions will need—and must surely receive—careful review before enactment.

The fact that the Bill will introduce an entirely new class of company—the investment company—into British corpor-

ate law has roused little comment. Although the total number of companies potentially eligible is small—about 500—they could number as many as one in five of British listed companies, representing about 12.5 per cent of the total market value of UK listed securities.

An investment company is defined as a listed company whose business consists of investing its funds in securities, land or other assets with the aim of spreading its risks and giving its members the benefit of fund management.

In Britain the principal classes are obviously investment trusts and property investment companies. To qualify they will have to be certified by the Department of Trade.

The immediate distinction between investment and other types of public company is that different rules will apply for the purpose of computing distributable profits. Unlike other public companies, investment companies will not be required to take account of unrealised capital losses in determining profits available for distribution. However, an investment com-

pany may make a distribution only to the extent that the total value of its assets is equal to at least one and a half times its liabilities. Cases may be imagined (for instance a highly geared property investment company) where the latter rule would inhibit payment of a dividend for an investment company but not for an ordinary public company. It is by no means clear whether certification as an investment company will be compulsory or voluntary; if the latter, we may expect to see some careful weighing of options in many boardrooms.

It is already clear that the difference between investment companies and ordinary public companies will not be limited to the calculation of distributable profits. The differences may be expected to deepen progressively. The Bill gives the Secretary of State power to issue regulations for the conduct of the business of investment companies, and it would be idle to suppose that such powers will not be exercised. We may expect to see in time an array of regulations governing investment companies in the same way as there are bodies of regulations

governing other financial institutions such as banks and insurance companies.

Certification as an investment company seems likely to offer a refuge against some of the more stringent accounting rules due to be enacted in the next two or three years under the provisions of the Fourth Directive on Company Accounts. For example, different lay-outs of accounts may be allowed, and the way has been paved to relieve investment companies of the requirements to provide for depreciation on fixed assets with a finite useful life and to charge provisions for permanent diminutions in value of fixed assets through the profit and loss account. In this way the law is intervening to resolve some of the difficulties which have arisen over the formulation of accounting standards as they apply to property investment companies.

A shift of social significance is the requirement that in performing their functions directors shall have regard to the interests of the company's employees generally, as well as to the interests of its shareholders. In practical terms no doubt directors already do this, but its crystallisation as a legal obligation may yet prove to be more than a mere matter of form. Substantial property transfers between a company and any of its directors will require approval by the company in general meeting and particulars of substantial contracts in which directors have an interest will in future have to be disclosed in the accounts (and thus be subject to audit) instead of

the directors' report. The rules barring loans to directors will be extended to apply to connected persons—essentially, a spouse and infant children of a director and a company in which a director or his family have a more than one-fifth interest.

The general effect of the new provisions will be to render directors significantly more accountable in law both to shareholders and employees than was the case before. No doubt this is salutary and expresses the spirit of the times, but perhaps more significant than any of the other proposals is a subtle yet profound shift in the rights of oppressed minorities. These have previously been severely limited—some would say too much so. Now any shareholder will have the right to apply to the court for redress on the grounds that his rights are being unfairly prejudiced. The court will have wide powers to make, as it judges necessary, such orders to restrain or regulate the conduct of the company's affairs so as to procure the desired relief. In particular it may authorise civil proceedings to be brought by one or more shareholders in the name and on behalf of the company.

At a stroke the legislator's pen appears to remove the constraint imposed on shareholders' actions by the long-standing rule established in the case of *Foss v. Harbottle*.

It remains to be seen how the courts will administer their power. But the thrust of the times is plain. The balance of power is shifting. Companies, their officers and administrators are going to be more exposed to shareholder wrath if their conduct falls short of what may reasonably be expected. It is hard to quarrel with that, provided the law will hold a fair balance.

Michael Renshall is a partner in the largest accounting firm in the UK—Peat Marwick Mitchell. Formerly technical director of the Institute of Chartered Accountants in England and Wales where he was closely involved in the negotiations on the harmonisation of EEC company law.

## BUSINESS PROBLEMS

## BY OUR LEGAL STAFF

## Exchange of land

(a) What are the legal requirements including paperwork which have to be fulfilled by two parties who agree to exchange one plot of land for another, like-for-like, without the involvement of money in such a transaction and how much is it likely to cost?

(b) Also, where a neighbouring building with a pitched roof abuts my open land causing rainwater to be discharged onto my ground because of the decay of the rainwater guttering, is it essential to have the owner make the necessary repairs, and do they thus obtain a right to enter onto my land at any time to effect such repairs?

(a) A deed of exchange (akin to a conveyance) is required and registration at H.M. Land Registry may be necessary. No stamp duty would be payable. Costs would depend on the complexity of the work involved e.g. of the title or titles to be investigated. (b) It is not essential in law to have repairs effected if however the land owner calls on the house owner to effect repairs, the former must afford reasonable access. The house owner has no right to enter and effect repairs unless that right has been granted by deed or has been exercised by the house owner for the last 20 years or more.

## Damage to a yacht

A yacht was damaged at moorings by another which had broken free. I have been told that an old Act restricts damages payable to £13 per ton. Is this correct?

There is a limit stipulated in Section 503 of the Merchant Shipping Act, 1894, as amended (in 1958). The limit is now 1,000 gold francs per registered ton. That is just over £11 per ton. The limit must be caused without actual fault of the shipowner.

## Consultancy payments

I hold a full-time NIES appointment in the cause of which I have been asked to undertake consultancy work for two international companies. Payment in respect of this work is on a per diem basis, and is to be made in a currency of my choice. Could you please advise me concerning the best way to treat these payments in terms of income tax, as I propose to undertake these duties while obtaining unpaid leave from my full-time appointment? It is not envisaged that these duties will exceed 30 days per annum. You have not given us many background facts to work on. We take it that you are domiciled in England and Wales (or in Scotland or in Northern Ireland), as well as being resident and ordinarily resident in the UK (for tax purposes, and also for exchange control purposes). That being so, it is not open to you to have the remuneration for the consultancy work treated as "foreign emoluments" (as explained in paragraph 3.1 of booklet IR25 (1977)), even if, as we gather, the companies are not resident in the UK.

If the consultancy contracts are contracts of service (as distinct from contracts for services), it might be possible to establish your right to the 25 per cent deduction explained in paragraph 2.8 of the IR 25 booklet, but you will have to study the booklet carefully to see whether it is possible for the conditions to be fulfilled.

On the other hand if, as perhaps you are implying, the contracts are not contracts of service—that is to say the consultancy work constitutes a single professional activity within Schedule D, as opposed to separate employments within Schedule E—then it seems most unlikely that you will be able to establish that the activity falls within case V of Schedule D (as explained in paragraph 7.1 of the IR25 booklet) rather than case II.

If you can find no help in the free booklet IR25 (1977), which is obtainable from most tax inspectors' offices, then it seems most unlikely that anything in section 27 of (and schedule 4 to) the Finance Act 1978 will help you either.

It is possible that your tax position may be affected by a double taxation agreement between the UK and the other country (or countries) involved.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered, by post as soon as possible.

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keeping computers happily fed. Roneo Neopost machines are zipping up mailrooms—addressing, collating, folding, inserting, sealing and franking with a skill that staggers even the unemotional Japanese. We've got it right—right around the office. Sales running at over £100 million a year prove it. Right around the world. Isn't it time you got it right? Check the Roneo Vickers range today. Phone us on 01-686 4333. Ask for Roneo Right Line. Or write to us at Roneo House, Lansdowne Road, Croydon CR9 2HA.

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## DO YOU ALWAYS COMMUNICATE THIS WAY?



## Do your employees need a breath of fresh air?

Whatever you believe to be the advantages of a big city, fresh air, peace and quiet, low rents and ease of travelling aren't some of them. If you and your staff consider the inconvenience and problems of working in such an environment for outweigh the advantages, isn't it time you suggested moving your office to a more congenial location? Like Belgrave House, Northampton. It provides from 10,000 sq ft to 73,500 sq ft of luxurious, carpeted, air-conditioned office accommodation that's in the heart of town, yet just a couple of miles from plentiful housing, green fields and woodland. Its office accommodation that could save a London based firm up to £750,000 a year and which is linked by undercover pedestrian connections to shops, stores, a car park and an ultra modern bus station, making it easily accessible to all forms of transport. And all this is a mere four miles from the

M1, within fifty miles of three international airports and an hourly rail service from Euston. As we've left you wondering why you haven't moved to Belgrave House before, contact Peter G. Alcorn, Director, Grosvenor Estate Commercial Developments Ltd, 25 Grosvenor Street, London W1X 0HL. He will furnish you with any additional information you require or arrange an audio visual presentation which proves that Belgrave House is as good a proposition as it sounds. So make contact today, and start planning a great new future for you and your office.

**Belgrave House**



Television

# No Business but Show business

by CHRIS DUNKLEY

Does it really matter that there are no conclusions worth making about the progression in Robert Donaghy's career from *Stars on Sunday* to *Stars on Sunday*?

It is not that it is a collection of celebrities, but that it is a collection of celebrities. It is not that it is a collection of celebrities, but that it is a collection of celebrities. It is not that it is a collection of celebrities, but that it is a collection of celebrities.

Staying with TV Times for a moment, should we attach any significance to Angela Wiles' name printed in capitals above the title of their *Survival* programme about Zambian wildlife? Is there any connection between *Stars on Sunday* and *Survival*?

And since the word connection has cropped up, is there one between BBC's new series on precisely that subject, Yorkshire TV's documentary series on *Indians*, and London Weekend TV's *Indians*?

Going back to *Stars on Sunday*, are there any conclusions worth making about the progression in Robert Donaghy's career from *Stars on Sunday* to *Stars on Sunday*?

BBC has moved as enthusiastically as any of the ITV companies, and sometimes with more expertise, towards the adoption and exploitation of showbusiness in previously unaffected areas of programming.

But it may be objected, there is nothing new about this: for years cynics have been complaining that television's nasty habit is to suck in all sorts of diverse and contrasting talent and material at one end and squirt it out again on to our screens at the other end in indistinguishable gobs of homogenised pap.

The thing is that although cynics have indeed been saying that for a long time, it has not been true. In fact it is not true even yet. There is still a great number of programmes which either relay highly original and even unique material with an absolute minimum of modification to suit it to television (2: the immensely enjoyable hours with the Royal Ballet in Performance on Saturday for instance) or which actually create and present highly original material looking anything but homogenised: Monty Python's *Flying Circus*, for example, or the current extraordinary and fascinating series by Derrick Amore and Ron Johnston on

academic research called *Discoeries*. Or, to get away from BBC for a moment, Thames TV's *Rock Follies* which owed plenty to traditional showbusiness ideas but was nevertheless television approaching its most pure, and certainly not moulded to look or sound like anything around it.

So if all that can be said in defence of television, have the cynics got it completely wrong? My feeling is that in all the years to date their complaints have been greatly overdone but that there do seem to be a remarkable number of people inside television who are now doing their damndest to justify the cynics and pessimists.

In other words, although the charge that television extrudes everything in uniform glittering doloops of showbiz may not have been fair in the past, it seems quite too likely to become fair again soon if present trends continue.

No truly radical change is necessary for this to happen since it is a matter of degree: a small amount of showbusiness always was discernible within much serious television, serving quite inoffensively as a lubricant when the danger came.

Torrey Canyon leads to the stuff are allowed to seep out and coat everything in sight, thus hiding it from view. At that point it becomes clear that instead of showbiz serving the subject, it is the subject which is serving showbiz. And, surely, is the crux of the matter.



Annabel Leventon and Vincent Marzello

## Round House Downstairs

### Jesse and the Bandit Queen

This is the story, according to American playwright David Freeman, of Jesse James and Belle Starr, whose shifting relationship is seen through a kaleidoscopic series of newspaper reports.

Jesse (Vincent Marzello) is a nagging wife and Wild West reputation to live up to; Belle (Annabel Leventon), survivor of a three-star marriage, has an Oedipal son, several pairs of boots and a strong preference for Cherokee Indians. Their

## Covent Garden

### A Month in the Country

Mark Silver's appearance as the tutor, Belyayev, in *A Month in the Country* seems to me to be a most happy and natural piece of casting. He brings youth, sure technique, and an unforced sincerity to the part; he is physically of the same build as Anthony Dowell, who created the role, and his elegant line fits out the long phrasing of Ashton's choreography as feely as does Dowell's. (Silver had, at his graduation performance from the Royal Ballet School, taken over another Dowell role—that of Oberon in *The Dream*.) If the role suits him physically, it is no less right for him emotionally. Silver, an artist of undoubted gifts, suffered a year of injury which might have ruined his promise. But on Monday night he was back on best form, better indeed than I have seen him before. The character of Belyayev seems to focus his personality: he understands its indecisions—the puzzled glance before he embraces Vera at the end of their duet; the brief challenging flash of temperment with Rakitin at his first entrance—and he explores its nuances of feeling with a sensitivity that avoids mere softness. In characterisation and dancing I find it a most convincing and most rewarding performance, the identification with the part absolutely sure.

## Elizabeth Hall

### New Vienna Octet

The members of the New Vienna Octet all belong to the Vienna Philharmonic. They owe their collective title, but none of their personnel to the old Vienna Octet: if the distinguished name evokes classical playing of refinement and polish in equal parts, the new group deserves it. They were acclaimed with due delight on Sunday by a not over-large audience. It might have been larger had the Octet been permitted to advertise their major work, the Brahms Clarinet Quintet—but another group with a prior booking was down to



Botanic Man: David Bellamy setting up an experiment by the boiling springs of Lake Mannington, Northern Kenya

## Soho Poly

### British Bulldog

by B. A. YOUNG

When Barnes emerges from the lavatory (where we have heard him straining for some time) to interview Harry, the job applicant in his office, he is dressed from head to foot like Baden-Powell. BP's portrait hangs on the wall, together with other posters about the outdoors and an intrusive calendar of nudes.

The interview, for a very vaguely specified job, turns at once into a recruiting campaign for the Boy Scouts. As Barnes browses on the floor, cooks a damper, sings camp fire songs, Harry, a simple young man on the whole, whose idea of outdoor life is watching *Newswatch* United from the terraces, seems to go along with him.

He is even persuaded to change into a Scout uniform, and has a shot at playing "British Bulldog" in a game involving some rough bodily contact.

But by then he has begun to realise that Barnes, with his outdated uniform, is a phoney. He challenges him to another round of "British Bulldog" and easily wins by kicking him smartly in the crotch.

## Young Vic Studio

### Cabaret of Love & Death

by ANTONY THORNCROFT

Cabaret of Love and Death, appetisingly described as "A Corrupt and Elegant After-Dinner Entertainment" features one of the better-performing poets George Macbeth and one of the more ambitious singers Bettina Jonic as protagonists mulling over the scraps of a dead affair, so dead that they emerge from coffins, before taking up positions at the lecterns.

And very traditional positions they are. Macbeth nicely nails in his wispish satire of the lady's shortcomings and the lady's sweet but no more interesting to counter his inbred chauvinism. George Macbeth recites his pretty speeches while Bettina Jonic sings in a voice perhaps better trained for the concert platform than for intimate review.

## Festival Hall

### Sullivan and Elgar

The juxtaposition of Sullivan and Elgar's music in Monday's concert brought to mind the careers of the two composers overlapped. Indeed the overlap would have been greater had Elgar not been such a late starter. It was at Leeds in 1898, when Sullivan made his last appearance as principal conductor of the Leeds Festival, that Elgar (already over 40) achieved one of his first successes with the cantata *Coronatus*.

That cantata, and the even earlier *King Olaf*, had been revived in recent seasons at the Festival Hall by the organisation which calls itself Polyphonia. On Monday, with Bryan Fairfax as conductor, Polyphonia provided a hearing for all. The Black Knight (1894), preceding it in the programme was the first movement symphony which, 30 years previously, had been written by the young Sullivan before Gilbert entered his ken. Mr. Fairfax, with the Philharmonic Orchestra at his disposal, also delivered the *King Olaf* overture of Mendelssohn, as if to show where Sullivan found some strong roots of his musical style.

Poor Mendelssohn had a stodgey time of it from Mr. Fairfax's better but Mendelssohn will forgive Sullivan's case is more perilous. His symphony does not, as might have been expected from the young Englishman fresh from training in Leipzig, adopt the thrashing discords and stressful

## Wigmore Hall

### It Don't Mean a Thing

This welcome Saturday afternoon jazz concert took its title from the recent BBC-2 series which showcased only British musicians (lobby the BBC for its return). The series had the effect of reminding audiences and reluctant critics—that preoccupation with the steady flow of visiting American musicians to this country too often leads to unjust neglect and dismissal of the rich, native-born talent in our midst.

The quality of music heard on Saturday again confirmed that British jazz need never have an inferiority complex. Blind pianist Eddie Thompson, who for ten years successfully competed with Americans on their own ground in New York, threaded the proceedings together in his own inimitable way with over-the-top introductions, some good jokes and his own witty playing.

Thompson is a prime example of an unsung talent in his own land. His style echoes the floweriness of Art Tatum but in his copying no one. His ebullient playing and melodic attack, counter-balanced with lyrical tenderness in ballads such as "Round Midnight" put him in the forefront of piano players anywhere.

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Management Assistance Incorporated headed for another record year—for the nine-month period ended June 30th 1978 compared with same period in 1977—revenue up 33% to \$146,895,000.

## RSC earns over £2m

The one hundred and second annual report of the Royal Shakespeare Company, released yesterday, reports on the thirty five RSC productions which were performed in fifteen different theatres in the 1977-78 season.

During the year the Warehouse became the RSC's fourth auditorium enabling other Place productions to transfer to London with the same regularity as transfers from the Royal

Shakespeare Theatre to the Aldwych.

Earned income in the year was £300,000 higher at £2.27m, and for every £1 earned by the RSC there was an Art's Council grant of 63p. The deficit for the year was £54,700, but this includes £22,000 incurred in advance for 1978-79 activities. Over £100,000 has already been raised by the Shakespeare Theatre Trust for the purchase of one of the new theatre in the Barbican.

## Mismanaging reserves

THE DOLLAR, after falling vertiginously for several days, stabilised yesterday. While this pause can hardly be hailed as the end of the crisis, it is an illustration of how it is likely to end. At some point a currency widely used for trade must be perceived as cheap, so that commercial users begin to take advantage of the low price, and reserve holders who have been trying to diversify decide that it is now too late. Such a change of sentiment maintained for more than a short time is likely to set off a sharp recovery. This is the usual pattern of movement in capital markets—or indeed in any market where stocks are large in relation to flows; but it is a disruptive way.

Sir Jeremy Morse, before he left the official world for joint stock banking, spent some frustrating years steering the efforts of the Committee of Twenty to devise a more rational way of managing reserves and the adjustment process. The experience has left him with few illusions about the chances of securing agreement on any reform, and when he surveyed the present mess in a talk in London yesterday he forecast that, despite the crisis, radical change remains highly unlikely. We are simply moving rather convulsively from a post-war era of dollar domination to an era of managed instability and multi-currency reserves. It is a confused and confusing prospect, and for the longer term Sir Jeremy suggested that thought should again be given to a more radical and international approach.

The problem is certainly not one which is likely to be solved by benign neglect. For the time being diversification of reserves by a number of small countries is a manageable problem, and may prove slightly helpful. In spite of the declared wishes of some of the central banks concerned (though not of the Bank of Japan, which knows how to give away gracefully to importunity), reserve holdings of a range of stronger currencies are growing.

As long as these holdings are reasonably in line with the sums a prudent banker would hold to cover transactions, they are likely to be quite stable despite exchange rate movements, as official sterling balances have proved since they

## A milestone in Madrid

SPAIN HAS PASSED a major symbolic milestone on the road to Western-style democracy with yesterday's Parliamentary approval of a new constitution. The constitution establishes Spain as a "parliamentary monarchy," with firm guarantees for the respect of human rights and a limited role for the King, on much the same lines as many other West European countries. Even if yesterday's endorsement was widely expected, formal approval of the new constitution is an essential part of the process of Spain's reintegration into the family of West European nations. The EEC countries, with some misgivings, are prepared to welcome Spain into the Community by if by doing so they can underpin Madrid's attachment to democracy. But at the same time, the Nine need proof that this is what the majority of Spanish people really want.

### Respectability

Spain's transition from Francoism to international respectability has proceeded much more easily than many people once feared. All the main political parties approved the constitution in yesterday's vote, and all the indications are that the majority of the population will accept it in the national referendum due to be held on December 6. The Spanish have not yet had much experience of the practical implications of their new democratic system—and most of them are probably unaware of what Common Market membership will involve—but there seems to be a general national consensus behind the constitutional reforms that Parliament has now adopted.

The major problem is that the national consensus does not include the more active Basque separatists, nor in lesser numbers, their Catalanian counterparts. The mainstream Basque nationalist party (the PNV) has now decided to campaign for abstention in the referendum on the constitution, and the chances are high that the ETA guerrilla organisation will step up its terrorist campaign

### Likely fate

However, this "dollar imperialism" was increasingly resented, and in the end the dollar suffered that fate likely to befall any reserve currency—the deficit needed to meet world reserve demand implied an over-valued currency. Its subsequent collapse was speeded by inflationary domestic policies and a period of misrule by central banks of the Euro-markets. In an effort to limit the disruption which has resulted, the stronger central banks have acquired a flood of now unwanted dollar reserves.

It is not an edifying story, but there is no inherent reason to suppose that another national central bank, or even a European monetary system, will do much better at the role of reserve creation and management. No one would dream of setting up a national central bank as the subsidiary of a trading concern, however large, and it is no more logical to run international money in this way. The lesson of Bretton Woods and its collapse is not that we do not need an international system. We need a better one.



Mr. Eishiro Salto, President of Nippon Steel, ... If Japan can curb her overseas steel shipments by some 20 per cent it is "deplorable" that other nations cannot do the same ...



Mr. Tony Solomon, U.S. Treasury under secretary ... the steelmakers of the emerging advanced developing countries will be allowed to compete in the U.S. market against the home industry—as long as the competition is considered fair ...



Viscount Etienne Davignon, EEC Industry Commissioner ... The next phase of the Davignon Plan is the restructuring of the EEC steel industry to make it efficient and competitive for the 1980s. But Viscount Davignon knows the only weapon in his hand is his ability to persuade member governments to put their own industries in order ...

# Glimmer of a new dawn for world steel

BY ROY HODSON

STEELMAKERS are holding their breaths and are not risking forecasts which could prove to be rash or misplaced. But there are signs that the industry is starting to pull out of its four-year recession. It will be easier to acknowledge that the show is on the road again when the 29 member countries of the International Iron and Steel Institute (making 98 per cent of Western world steel) decisively break through the 40m tonnes-a-month barrier. That figure was comfortably exceeded in 1973 and 1974 before the crash of 1975. Now the industry is again nudging towards it. September production among the IISI members was nearly 39m tonnes.

Among the brightest spots are that West German steelmakers are doing much better business and expect to raise production this year by some 3m tonnes; and U.S. companies have been working nearly flat-out in recent weeks with order books lengthening for some products into the early months of next year.

It is, of course, too early for the world industry to assess what will be the overall impact of the falling U.S. dollar upon world markets in steel. And many forecasters expect steel sales in the U.S. to fall off during a period of recession there next year.

But the world picture now is one of rising demand for steel products. It may well be sustained until the Western world is again trading at the tonnage levels last seen in the early 1970s.

There is no chance, however, that a return to the tonnage of five years ago will mean a return to normality and high levels of production for everybody. In particular the steelmakers of Western Europe and Japan will find themselves in a harshly different world to the one they knew.

The new steelworks of the so-called "third nations"—developing countries in the main—are straining to turn out

higher tonnages from some very efficient equipment. Those newcomers to the steel scene have raised production in the first nine months of this year by, on average, 11 per cent compared with the same period a year ago. Brazil's output is up by 7 per cent; South Korea's by 15 per cent; Mexico's by 25 per cent; and Taiwan's by 95 per cent.

The third world nations now comprise a potent force in the pattern of world steelmaking. They will become steadily more important during the next ten years as more new works in those countries are built with the assistance of Japan, Europe, and the U.S.

### Balance will shift

This year the non-Communist world will make nearly 400m tonnes of crude steel. Europe and the U.S. will each provide well over 100m tonnes. Japan will produce about 100m tonnes. The third world nations will together also provide around 100m tonnes. Within five years that balance will have shifted decisively in favour of the third world countries. Their collective production will then outstrip that of any one of the traditional Big Three steel producing areas.

The growing pressure from the third world nation producers—many of them admirably equipped with ample supplies of cheap iron, energy, and coking coal—will in the long term have a profound effect upon steelmaking in Europe, America, and Japan. In those three areas prospects for sustained growth in the industry look bleak. There is a recognition that if better business is to be won from rising world demand for steel it will have to come through the manufacture of more sophisticated steel products rather than from greatly increased output of bulk steel.

To meet the rising tide of third world steel production the

traditional western industries are going to have to re-shape, re-group, and sometimes slim down, in ways that would have been unthinkable even in the early days of the current recession.

The general attitude of steelmakers at the moment is that such thoughts as these are for tomorrow—or next week, or next year—and that what counts while trading is still depressed is getting through today.

Three influences are combining to hold the traditional steel industries in some semblance of order while orders remain short and the temptation lingers to score over competitors. They are: first the remarkable restraint being shown by the Japanese steelmakers; secondly the schemes introduced by Viscount Etienne Davignon, the EEC Industrial Commissioner, in the past year to control prices, production, and trading in the Common Market; and third the U.S. Government Trigger Price Mechanism which was adopted this year as a temporary device to protect the U.S. steelmakers from low-cost steel imports.

All three influences are interacting in a remarkable way. Deprived of any one of them, steelmakers would be entering the winter in a state of confusion instead of with new hope.

### Japanese restraint

Of the three the Japanese behaviour during this crisis year has been of outstanding importance. The Japanese companies have cut steel production by 2.6 per cent and are voluntarily restraining their steel sales into Europe and the U.S. to levels which are low compared with their traditional pattern of business. One consequence of such behaviour is that the Japanese have become irked by the less disciplined actions of some of those they have been willing to help. Mr. Eishiro Salto, president of the Nippon Steel Corporation—the

world's biggest steel company—and the man who has done most to orchestrate the Japanese policy, of restraint said recently that if Japan can curb her overseas steel shipments by some 20 per cent it is "deplorable" that other countries—be means western Europe—cannot do the same.

He has a point. Strange things have been happening in some markets. For instance, Japanese steel plate has become difficult to get on the U.S. west coast this year, although traditionally the Japanese have supplied a big portion of the market. But Belgian companies have moved in to become the biggest foreign supplier of that product.

Some American steel producers have been sceptical about, and even openly hostile towards, the Trigger Price Mechanism, claiming it is inadequate to protect them from floods of European steel being sold in the U.S. at dumping prices. But the evidence is that at least the system is proving partially effective. European steel imports into the U.S. fell by 23 per cent in September. The signs are that European companies are now exporting to the U.S. with much more caution, fearing that the alternative to trigger prices would be activation of serious anti-dumping suits against them.

Meanwhile the Trigger Price Mechanism has enabled U.S. steelmakers to enjoy so far a much better year than they had thought possible. Under its protection they have been able to end price discounting, achieve a general price rise on top of that, and work their mills at 90 per cent capacity to make some badly needed profits.

Mr. Tony Solomon, under secretary for monetary affairs at the U.S. Treasury, who is responsible for administering the Trigger Price Mechanism, has been heard to wonder at the amount of time the U.S. steelmakers expect him to give to the problems of their industry: "I am responsible for other matters besides steel." When he spoke to world steel indus-

try leaders recently he ramed home the point that the steelmakers of the developing countries will be allowed to compete in the U.S. market against the home industry—as long as the competition is considered fair. He added, however: "The newly emerging steel producers should be subject to the same rules as the industrialised nations—in particular they should not be allowed to dump their steel on our markets."

If only things were as easily managed in the EEC Viscount Davignon would be thankful. During the recession Europe has become the cockpit for cut-throat steel trading.

### Bilateral deals

Using a mixture of muscle and persuasiveness Viscount Davignon has concluded a series of bilateral deals with third nation steel producers to limit sales into Europe while the European industry is operating at crisis levels. But a number of the European steelmakers have repaid him by pushing sales wherever and whenever they can into other European countries. Britain has been the main victim and into the American market.

The British Steel Corporation and the British Independent Steel Producers Association who have not taken part in this free-for-all have complained loudly and often at meetings of Eurofer, the European steelmakers' association, which is supposed to police the agreement.

The behaviour of some of the Continental steelmakers is starting to attract a wider audience to the embarrassment of those governments and authorities which are concerned with maintaining good order and discipline. Mr. Bill Sims, the British Trades Union Congress Steel Committee chairman, let Bewick, "I accuse these cheats of trying to wreck the work we have done through the such a lad."

## MEN AND MATTERS

### Off to the clouds again

Ballooning is a good training for the mining industry, or so I am told by Maxie Anderson, the intrepid American who crossed the Atlantic in a helium balloon in August. His connection of floating amidst the clouds and digging holes underground has nothing to do with aerial photography—though he does claim to have located some deposits of copper and silver from the air. Instead, he says: "In ballooning the only positive planning is the flight plan. The rest is disaster planning. And that is a good practice for mining."

Anderson's 12 years as president of the uranium and copper mining company Ranchers have seen sales increase from \$0.6m to \$35m. But his ballooning career had its spills. In 1977 he attempted to celebrate the 50th anniversary of Lindbergh's crossing of the Atlantic by repeating the feat came to an untimely end north of Iceland and only 100 miles south of the packed ice.

But this did not stop him from trying again and succeeding. And now he is planning first to join a \$100,000 race across the U.S. and then either an aerial Kogi Tiki across the Pacific or to emulate Phileas Fogg and balloon around the world—in 35 days' flying time, he forecasts, though he thinks that the steps might cause him to exceed Jules Verne's 80 days.

Anderson came to London for last night's dinner at the London Metal Exchange. Though the trend of copper prices has caused him to curtail operations at one mine he has no complaints about the Exchange's workings in copper, arguing that it is "the world's best market, a good mirror of the world's supply and demand." He suggests, however, that it is "hidebound" in the conditions it sets for becoming a member and was a "bit late" in open-

ing the new aluminium contract market. He blamed this delay on pressure from the producers and underlined how nickel producers are staging a campaign against a futures market in their metal.

### Cast out

With the tension eased between Yorkshire Cricket Club and their former captain, Geoffrey Boycott, it seemed safe to enquire whether the Club was planning to join those who have purchased a bronze of Boycott scoring his hundredth century. "I had never occurred to us," club secretary, Joe Lister, commented, adding that he knew of the bronze but expressing surprise that it might be suggested the club should buy it. A boycott of Boycott? "Oh no, there is no decision not to buy it. We have plenty of pictures of him in the members' bar."

Sculptor John Atkins, who is casting a limited edition of the bronze, says that he had a hard job getting hold of the cricketer and that it was in fact easier to sculpt his more usual subjects, African animals.

He says he has now sold about one-third of the 100 casts he is making, none to a rival cricket club. He is not planning to sculpt any further cricketers for the moment. When I suggested he might consider a bronze of Kerry Packer he replied: "I'm not sure if a bronze or a wax figure would be more suitable."

### Gentle monitor

Jordan's third survey of Britain's top 1,000 foreign-owned companies reveals that it is well worth working for there: the top twenty pay an average wage of £3,618 as against the £3,284 paid by the top 20 British industrial companies quoted on the Stock Exchange. They also export proportionately more of their output and on average have lower profit margins. But

there are some notable exceptions to this last point.

Of the 1,000 no less than 19 make pre-tax profits of over 27 per cent of their sales turnover. The list of profitability is headed by the Playboy Club (a 48.7 per cent profit-sales ratio), Tampax (43.5 per cent), Lafarge Organisation (43.8 per cent) and Gould Foils (40.5 per cent).

When I asked the Price Commission if these might be considered excessive profits, they explained that firms only have to notify price increases if their annual sales exceed £15m. In fact all but four of the 19 companies with the highest profit margins have lower turnover. The Commission would not be drawn on how it would handle these cases but said that they "could well go to one of our monitoring branches." The profit margins would be only one of the criteria they consider, I was told.

### Hard sell

Did British politics lose its zest and the politicians their quest for the jugular when Jim Callaghan told us that there would be no election this autumn? Many would argue just so.

But in Brazil, it seems that the announcement of elections must be greeted with mass concern. For elections mean two months of officially-prescribed "election propaganda." And this is a far cry from the rugged confrontation of British television studio debates.

On November 15 Brazil's 44m voters have to choose candidates from the pro-government Arena party or the opposition MDB (Brazilian Democratic Movement). As a result since September 15 Brazil's hundreds of local radio and TV stations have been broadcasting a daily two hours of propaganda.

But this propaganda is curious. It has to avoid all the stock in trade of normal politics. There must be no political promises, no criticism

of the present government, no emotive images. Instead television screens are filled with politicians in varying degrees of smile or frown. As for the sound track, this consists of tapes for Arena and for MDB played in spurts of a few minutes, for their full 20-minute length or re-run several times without pause during prime time.

Viewers thus merely find themselves exhorted to vote for "Candidate X, father of six, pillar of the church who believes in democracy" or for "Candidate Z, former police chief, who believes in democracy."

The more sensitive candidates, embarrassed by the mass turning off of radios when they start their pitch, (very) publicly announce they are waiting free air time when such vital matters as football matches are on. But in Rio de Janeiro and Recife, capital of Pernambuco state, some relief has been at hand. The electoral tribunals claim there have been irregularities. Political statements and criticisms of the government have actually been made in this "election propaganda."

So now there will be that new Brazilian hybrid, elections with no propaganda. But it will have the unexpected boon of meaning less car crashes too. Taxi commuters complain that while speeding along drivers seem more concerned with tuning their radios to avoid this election propaganda than with steering to avoid the traffic.

### Special recipe

A New York restaurant is giving an outstanding example of American know-how: "We are famous for our luscious 16-ounce steaks. This week, to celebrate our fifth anniversary, each and every 16-ounce steak will weigh eight ounces more."

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Observer

# Arab Travel and Tourism

The economic boom caused by the rapid rise in oil prices has seen businessmen flocking to the Middle East in droves and hotels and airlines have been battling to keep pace with increased demand.

OIL WEALTH has given Arab countries a faster economic growth than almost anywhere in the world in the past five years. But for the businessmen who have flocked to the Arab world in droves travel has usually meant hardship and discomfort. Only in the last year or so have conditions really begun to improve, and there are still some glaring gaps in services.

It could be argued that discomfort was a reasonable price to pay in view of the financial rewards on offer in the Arab states. In any case it was inevitable that hotels, airports, airlines, telephones and so on would be quite unable to cope with the size of the influx of businessmen brought on by the five-fold increase in oil revenues, even though some hotels had had low occupancy before the oil crisis. What is interesting is the degree to which gaps have been filled and bottlenecks broken—and the extent to which they still exist.

It is not just the oil-exporting states of the Arab world that have experienced an economic boom. Money has flowed from them to the non-oil exporting countries like Egypt, Syria, Jordan, Tunisia and North Yemen in the form of aid, remittances by workers, drawn to the rich countries and, to a limited extent, intra-Arab investment. These states are having their own booms, and in some countries such as Syria and North Yemen economic reawakening and liberalisation have aroused interest in developing a tourist industry, while countries like Egypt, Jordan and Tunisia find tourism

mask the fact that several new hotels are nearing completion.

Yet Saudi Arabia and Kuwait have managed to avoid the perils of overbuilding. This has meant that the hotel shortage has persisted longer. But it is no longer critical in Kuwait City, Jeddah or Dhahran,

market in Cairo is only now being resolved, while for much the same reasons Amman and Khartoum are difficult centres in which to find a room. State bodied jets once airborne, here management problems have been acute, and airlines are often constrained by the size and lack of facilities at the

reservations procedures, passenger handling or ground equipment—anything like match the service now available in wide-bodied jets once airborne.

The frantic rush of competitive hotel building in the UAE and Bahrain, involving the large hotel chains like Hilton, Intercontinental, Sheraton and Meridien, has not been matched anywhere else in the Arab world, and even in the UAE and Bahrain almost all the new hotels came into operation after the boom had peaked.

The most extreme example is Sharjah, near Dubai, where there are about half a dozen first-class hotels, against just one in operation at the end of 1976, and all with low occupancy. In the main hotels, there are more under construction, while there are under-occupied hotels in Ras al Khaimah and Fujairah. In Abu Dhabi hotel building was slower, while countries like Egypt, Jordan and Tunisia find tourism

A combination of investor caution and bureaucratic delays is largely responsible for the fact the crisis at the top of hotel

The non-oil exporting countries have also expanded their fleets and several of them—including Syrian Arab Airlines and Alia Royal Jordanian—operate wide-bodied jets. Other airlines, such as the small Sudan Airways, have been restricted by the difficulties of

obtaining finance from expanding their passenger fleets. But in these countries the national airlines have usually been even able to provide the ground services that are needed, while there seems only a remote possibility of new airport terminals being built to cope with the enormously increased level of traffic. It is in the poorer countries that other facilities for the businessman, such as hire cars and improved telephone services, have been slower to come into operation.

What wears down the morale of the traveller in the Arab world is often the sheer difficulty of doing things which are so simple in the West—changing an airline ticket, finding out someone's room number in a hotel, sending a telegram. The traveller has to be patient and, if possible, try to drop his Western attitude to time and take life more as it comes rather than try to swim against the tide. It may be the way of life of the Arabs which attracts as yet embryonic. But in all three countries the potential to attract tourists is immense and the possible economic benefits substantial.

Holidays in the Arab world are for travellers, not trippers, says a director of Serenissima, which organises select tours with distinguished lecturers to fairly exotic destinations, including Syria, Jordan and Egypt. That statement may not strictly apply to seaside holidays in Morocco and Tunisia but covers almost everything else. Jordan, Egypt, Tunisia and Morocco have established tourist industries with considerable expertise, though in Egypt and Jordan there is a shortage of facilities in most of the main tourist areas. Expansion is taking place and these states are firmly committed to tourism. Tourism in Lebanon, once firmly established, is inevitably moribund because of the troubles and its future is uncertain.

Despite the political relaxation which has taken place in some parts of the Arab world, no other state appears totally committed to developing tourism on a large scale. The nearest to it is Syria, but until many more hotels and restaurants are built the tourist industry will remain very small and there does not seem to be much urgency about completing the programmes the government has set itself: not is it completely clear what kind of an airline ticket, finding out someone's room number in a

But no one could say that facilities on the ground—

realises the change of attitude that is necessary to make large scale tourism feasible. North Yemen and Sudan are, like Syria, more open than they were to visitors, but in both states plans for expanded tourism are as yet embryonic. But in all three countries the potential to attract tourists is immense and the possible economic benefits substantial.

Algeria can afford not to dis- play much interest in attracting more visitors from abroad and in those Gulf states which are now exploring the possibilities of tourism the main motive is to fill up otherwise empty hotels. Saudi Arabia does not admit tourists at all, reluctant to have more foreigners than are absolutely necessary. It feels that additional visitors would put yet more pressure on a way of life that must sustain itself in circumstances of enormous change. That feeling is not unique to Saudi Arabia, for all Arab states have undergone drastic economic transformation in the past five years, and are afraid of rapid change.

To attract tourists on a large scale means taking a fairly open-minded attitude to foreigners and being prepared to adapt one's way of life to accommodate them. It means taxi drivers having to charge the same price for visitors as for locals, hotels and restaurants maintaining reasonable standards of hygiene, and local inhabitants not using good beaches as dumping grounds for litter. Not every Arab country considers these cultural adjustments necessary, or even desirable. But they are essential to attract, or whether it fully to a successful travel industry.

## Hotel building boom to meet the rush

By James Buxton

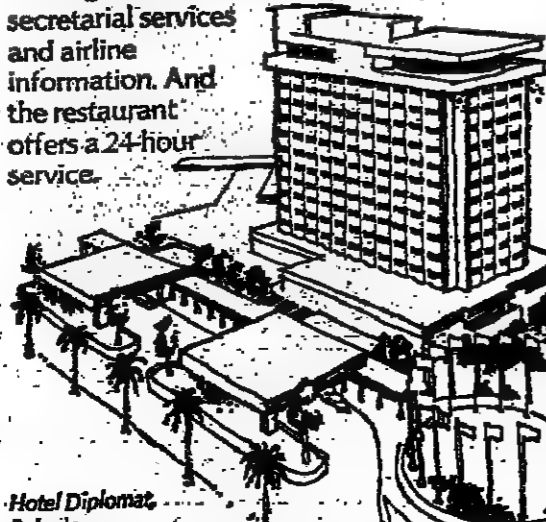
# TRUST HOUSES FORTE OFFERS SIX NEW OASES IN THE MIDDLE EAST.

Trust Houses Forte, in 1979, will be opening three new hotels in the Middle East catering for both businessmen and holidaymakers, and will be opening a further two luxury hotels in the early 1980's.

Trust Houses Forte, already established with a hotel in Bahrain, offers businessmen more than a room with a view. Conference facilities, banqueting rooms are all part of the service as well as amenities ranging from a golf course to swimming pools.

Worldwide, Trust Houses Forte have encouraged the growth of hotels widely varying in individual appeal, location and looks, but with the same high quality of service. Nowhere is this more apparent than in the Middle East where the hotels are situated from the resort to the heart of the business centre.

The compact Al Jazira, Bahrain, already open, is ideal for a travel-weary businessman. Small and elegant, it is located in the centre of Manama. Some of the hotel's standard features include a foreign exchange desk, car hire, secretarial services and airline information. And the restaurant offers a 24-hour service.



Hotel Diplomat, Bahrain  
Opens early 1980

The luxury Dubai International, situated on a 38-acre site next to the airport opens in the spring of 1979. With 400 bedrooms and presidential suites, it will offer a great variety of accommodation.

Important too are the business facilities — executive services, extensive banqueting and conference rooms. The international restaurant will have fine cuisine and the coffee shop, lighter meals.

Aimed more at the leisure lover the Hannibal Palace, on the coast of Tunisia,

opens early next summer. Situated on a hillside overlooking Port El Kantaoui luxury marina complex, approximately 100 miles to the south-west of Tunis and built in the Arab-moorish style, the hotel has a very distinctive design and the accommodation will include seven ambassadorial suites and one presidential suite.

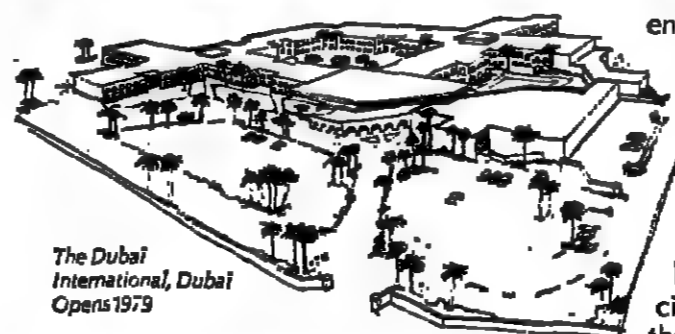
For those not on holiday, the Hannibal Suite will offer facilities for conferences for over 200 delegates.

From the hotel's three restaurants, you can choose the Aida with haute cuisine, à la carte menu and a select wine list; the Atlas offering a wide variety of delicately spiced Tunisian dishes or the Grill serving simply prepared food in pleasant surroundings.

Leisure facilities at the Hannibal Palace include a swimming pool — heated in winter — an internationally recognised 18-hole golf course, La Salammbô discotheque, car hire and hairdresser.

Late summer will see the opening of the much needed businessman's hotel — The Riyadh Palace, an international class hotel, in Saudi Arabia's capital, which will offer just over 300 rooms, of which 42 will be suites.

A multi-purpose conference room will provide space for banquets, conferences and trade exhibitions. Further facilities for guests include shops, swimming pool and lounge.



The Dubai International, Dubai  
Opens 1979



The Hannibal Palace, Tunisia  
Opens 1979

An à la carte menu will be provided in a first-class restaurant and those in a hurry can buy a light meal or snack in a coffee shop.

Two further luxury hotels are to be opened in the eighties — Hotel Diplomat, Bahrain (early 1980) and Hotel Persia, Teheran (early 1981).

The Diplomat is situated in a carefully selected position near Bahrain's international airport and the business centre.

The hotel will be ideal for business conferences. Besides being situated near to major communications it will have a large conference/exhibition complex.

Facilities will include a restaurant, offering a full menu, a coffee shop, bars and a banqueting area. For the fitness

Al Jazira, Bahrain  
Now open

enthusiasts there are to be tennis courts and a swimming pool.

The Persia Hotel in Teheran is one of THF's most ambitious projects to date and is reckoned to be one of the major hotel projects in the world. Situated on a hillside overlooking the city and with views of the snow-capped Alborz mountains, the hotel will have accommodation which overlooks a vast quadrangle with central aquatic displays.

All of the rooms have balconies where guests can enjoy the views and included will be 33 two-storey suites and a Royal suite. Eating facilities will be

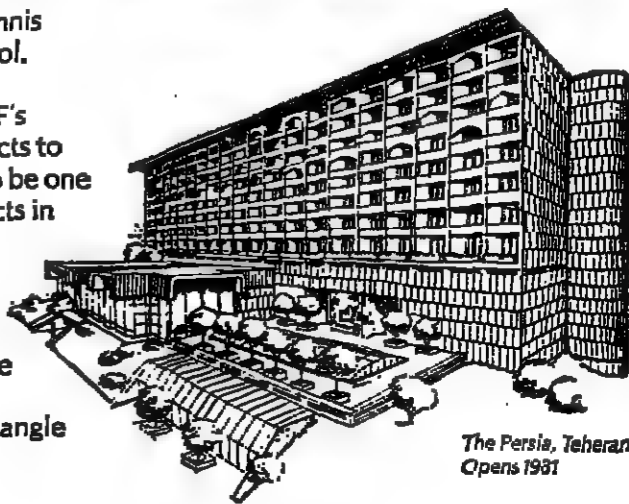
varied in three restaurants — international, with à la carte menu; the Persian, serving best Iranian food; and a small exclusive restaurant.

Extensive banqueting and exhibition facilities will be available in a number of purpose-built suites.

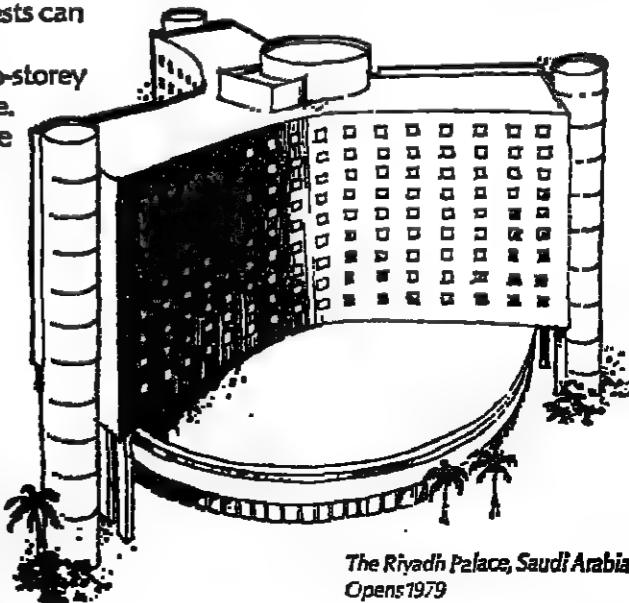
All these developments will achieve two important aims for THF — to provide British businessmen with a familiar base; and to extend Trust Houses Forte's worldwide network.

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The Persia, Teheran  
Opens 1981



The Riyadh Palace, Saudi Arabia  
Opens 1979

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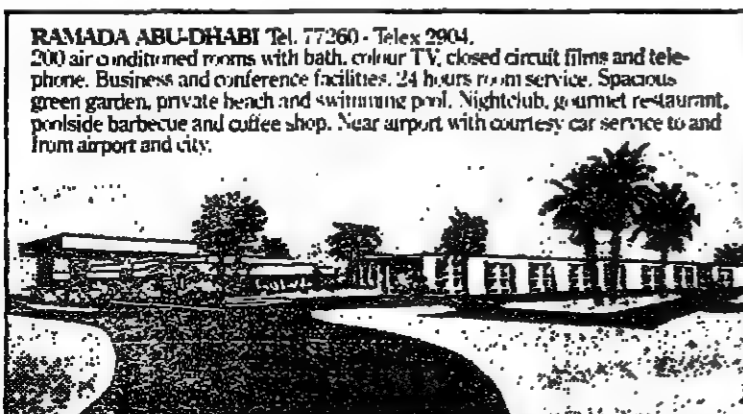
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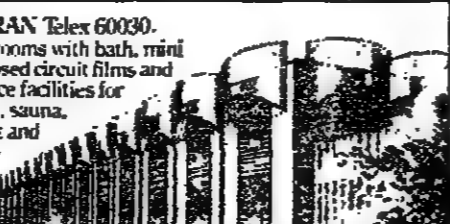


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## ARAB TRAVEL AND TOURISM II

# The problems of finding a bed

MOST BUSINESS travellers to the Middle East have some form of hotel horror story, usually Arabia. There the properties ending with a night spent on a lobby bench or on the floor of some friend's flat. Those days, however, seem to be passing fast. The tale that has been seen in London and the Far East is now being repeated in much of the Arab world. What was, and in some areas still is, a hotel famine story is becoming one of glut in some cities. Anyone who has tried to find a hotel room in Cairo or Jeddah in recent months might find that hard to believe, but in many parts of the area the transformation in recent years has been dramatic.

One of the essential aspects in understanding this change is that many of the names which one sees marked boldly on the exterior of hotel properties these days — Sheraton, Hyatt, Inter-Continental, Hilton, Marriott — are not owners of the properties. They are simply management companies with varying degrees of actual financial involvement. Thus the actual investment decision in many cases has been made by local investors rather than the international corporation itself. Indeed there is often fierce competition to attract the major management companies, such as the day-to-day expertise they can bring to bear and such is the marketing pull they have throughout the world.

Recent expansion of some of the groups involved has been impressive to the degree of being remarkable. Marriott is in the course of a 3,000-room six property building programme and Sheraton is adding ten more properties to its present six in the Middle East. Fairly typical of the sort of deal being done is that arranged

by Marriott for the management of two 300-room hotels in Saudi Arabia. There the properties themselves are owned by a local corporation which reportedly has 40 per cent of its shares held by the Government and the other 60 by private Saudi citizens. It would be usual in such cases for the management company to operate for a basic fee plus a percentage of the gross and/or the profits. There would normally be an agreed annual guarantee to the management company.

Such deals are normally arranged a considerable time in advance of the actual building, and thus the management company is heavily involved in all aspects of the planning and construction. At times the signing up of a major international name for the management of a hotel is an important factor in being able to raise the money to actually build the project. The fly in the ointment at times is that governments in countries which are not oil-rich, and not all Arab-speaking countries are, are sometimes worried about the outflow of hard currency to companies which are based in the U.S., Britain or France. Normally this view is overcome by the argument that a hotel is a net exporting operation and that the management company's take is minor when compared with the total gain in foreign revenue.

Those arguments certainly seem to have worked with Sheraton whose commitment to both oil and non-oil states over the past few years is massive. At the moment these are the hotels under construction: Amman (Jordan), 300 rooms; Abu Dhabi, 300 rooms; Bahrain, 350 rooms; Doha (Qatar), 480 rooms; Hurgada (Egypt), 100 rooms; Heliopolis (Egypt), 700 rooms. Luxor (Egypt), 350 rooms. And Jeddah (Saudi Arabia), 600 rooms. At the same time the company is completing two \$10m Nile cruise ships and also extending properties. Not every company is matching this explosive expansion but in many Arab world centres the hotel building activity is fast and furious. This places considerable strains on local facilities and on the labour pool pushing up building costs and making the eventual room rates needed to justify the investment somewhat high by international standards. Delays frequently drag out the building time and add to the cost burden. Sometimes fascinating methods are employed to ensure that not too many delays are encountered. The new El Salam hotel being operated in Cairo by the British Brent Walker group was built by Dongan Engineering of South Korea with large sections of the hotel being shipped in and then assembled by more than 100 South Korean workers working alongside Egyptian labour.

The costs of construction, said in some areas now to be reaching \$200,000 a room (in London or New York the figure for a quality hotel would still be less than \$100,000, is seriously alarming some investors. Interior designer Dale Keller, who has been involved in dozens of Middle Eastern projects including the interior of the recently completed Damascus Sheraton, is in the midst of a proposal for a 350-room hotel in Jeddah, one of the most expensive places in the world to build. Keller wants to bring in Deleto (ISI) room units which are built in the U.S. complete with bathrooms and simply connected to a basic structure which is the only part of the

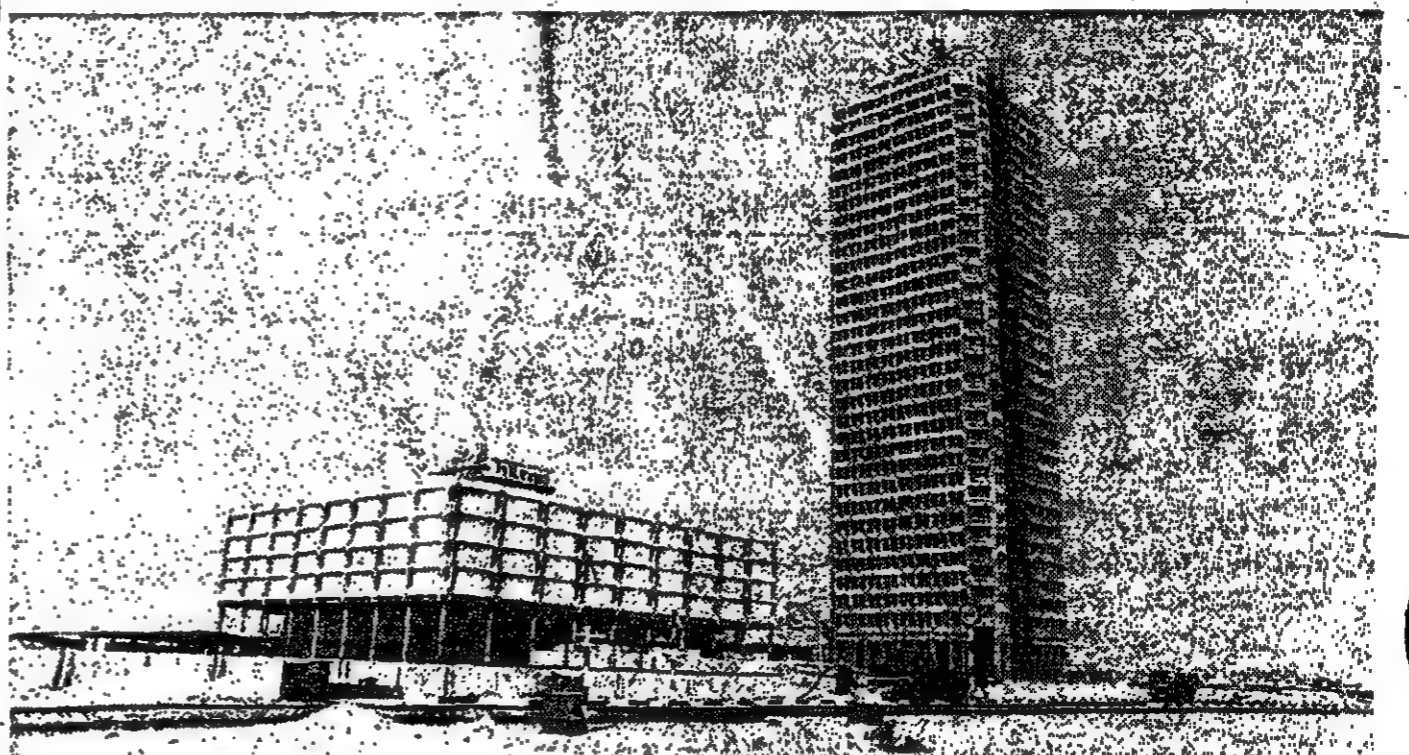
project locally constructed. Keller argues that in many parts of the Middle East "as many hotels are built and consumed demand eventually levels out competition could force rates which can be charged below the economic rate of £1 per room per night per £1,000 construction costs."

There is evidence of this view gaining ground in the area as thus one might expect to see considerable slowing down building programmes in the early 1980s. In some fields it can only come as a relief. It is particularly so in the case of staff training. In many parts of the Middle East in many parts there is no acceptance of service as being a profession, any honour as it is in parts Europe and the U.S. and off workers at quite senior levels of such activities as waiters have to be imported — expensive process since the people often have to be attracted at relatively high salaries and an uneconomic since those salaries are then often exported to families elsewhere.

Meanwhile the larger group are starting to look at the pastures as remain ungrazed western-style hoteliers. Attention which is now focused on the Middle East is switching such tempting destinations. China now that it too is seen the commercial benefits of international tourism may bring.

In 10 years' time there will still be parts of the Arab world where the visitor will find himself fighting for a seat in a lobby rather than luxuriating in an air-conditioned room on the 25th floor, but for the moment this is becoming a less and less the case.

Arthur. Sandi



The Dubai International Trade and Exhibition Centre includes a hotel with 352 bedrooms, an exhibition hall, 500 flats and a swimming pool

## Appealing to the tourist

FOR MOST of us the difference between a traveller and a tourist is personal — I'm a traveller, he's a tourist—but, for the Arab world the difference is striking. Travellers, those who make their own arrangements and adjust their schedules to passing whims and enthusiasms, have always found this area of the world one of continuing fascination. Tourists, those who often arrive on charter jets, insist on New York cut steaks and sufficient water for five showers daily, are a breed of humanity which the Arab world has traditionally found difficult to handle.

There is, however, no lack of ambition in some areas. The North African coastline is dotted with white-walled monuments to the tourist dollar. Some may see them as tombstones in the graveyard of the Mediterranean's natural beauty, but for others they are the symbol of a new source of currency and employment.

Clearly the most successful in this field have been those countries which are nearest to the tourist generating nations of northern Europe, and the appeal has been to visitors who have grown tired of those traditional hunting grounds of Spain, Italy and Greece and are seeking a little more adventure. The success of the north African nations in attracting

visitors is not entirely due to a simply to those visitors' need to feel themselves near to home. A crucial factor in the attraction of Eurotourists is the range of such aircraft as the Boeing 737 and the BAC One-Eleven, which tend to be the basic jets of the European fleet. A casual look at air fares and holiday prices will show that once such a jet has to refuel, or goes beyond the point where it can make at least two return trips a day from its base, then the cost of a holiday rises sharply. Tour operators throughout Europe have been keen to find alternative destinations to Spain, if only because none of them are particularly keen to have so much of their product dependent on one source of supply.

However, as many countries have discovered in making their sorties into mass tourism, getting into the business can be an expensive business. Once more we are back to those aircraft. Tour companies and airlines like to keep their flights full, particularly if seat prices are being kept to a minimum. This means that resort areas need hotels which are capable of receiving visitors who arrive 100-200 at a time, which usually means that anyone serious about modern tourism has to ensure that there is an ample supply of 100-plus bedded hotels in the medium-price range. Capital investment — including investment in

infrastructures such as water and power supplies, sewage and food — is only part of a range of factors which have to be considered and which include the thorny question of offering standards of service at least equal to that available in Spain. Only Tunisia and Morocco have taken this problem by the horns, most other Arab world nations choosing instead to aim their attractions at more visitors who are looking for more than just sunshine and sand and who are prepared to pay more for such individual attention.

As you head further east so you reach those countries which have chosen the middle road, capitalising on unique historic assets and trying to do well for a regulated number of visitors. The question of whether this regulation of numbers is deliberate or accidental is, of course, an open one. In most cases, and Egypt, Jordan and Iran are major examples, there simply has not been enough accommodation of international tourist standards to handle any sort of substantial increase in traffic. Much of the Eastern Mediterranean was passed by in the late 1960s hotel building boom that so transformed much of the rest of the world — politics be devilling the investment decisions — and now there is a rush to fill the gap.

Much reference is made elsewhere in this survey to the hotel building boom in the Middle East, and thus one should expect a fairly rapid response to the extraordinary shortage there have been in accommodation in the area. It would seem unlikely, however, that there will be any major fall hotel prices; such is the scale of investment involved in many of them, or in transportation costs. Thus, the longer-haul Arab world areas are likely to remain destinations for the discriminating traveller rather than the mass tourist. Certainly it is true as one moves so far further away from the European population centres that into the Gulf and into the wild fascinating interiors of Yemen and the Sudan. Although in making predictions the development of a substantial, prosperous and growing intra-Arab world tourist industry should never be overlooked. There are some areas and hotels which do not look to Europe or the U.S. for their business to a large degree.

For those that do, however, the recent disturbances international money markets can do nothing but cause concern. The American dollar still the supreme unit of currency in international transactions — and now there is a rush to fill the gap.

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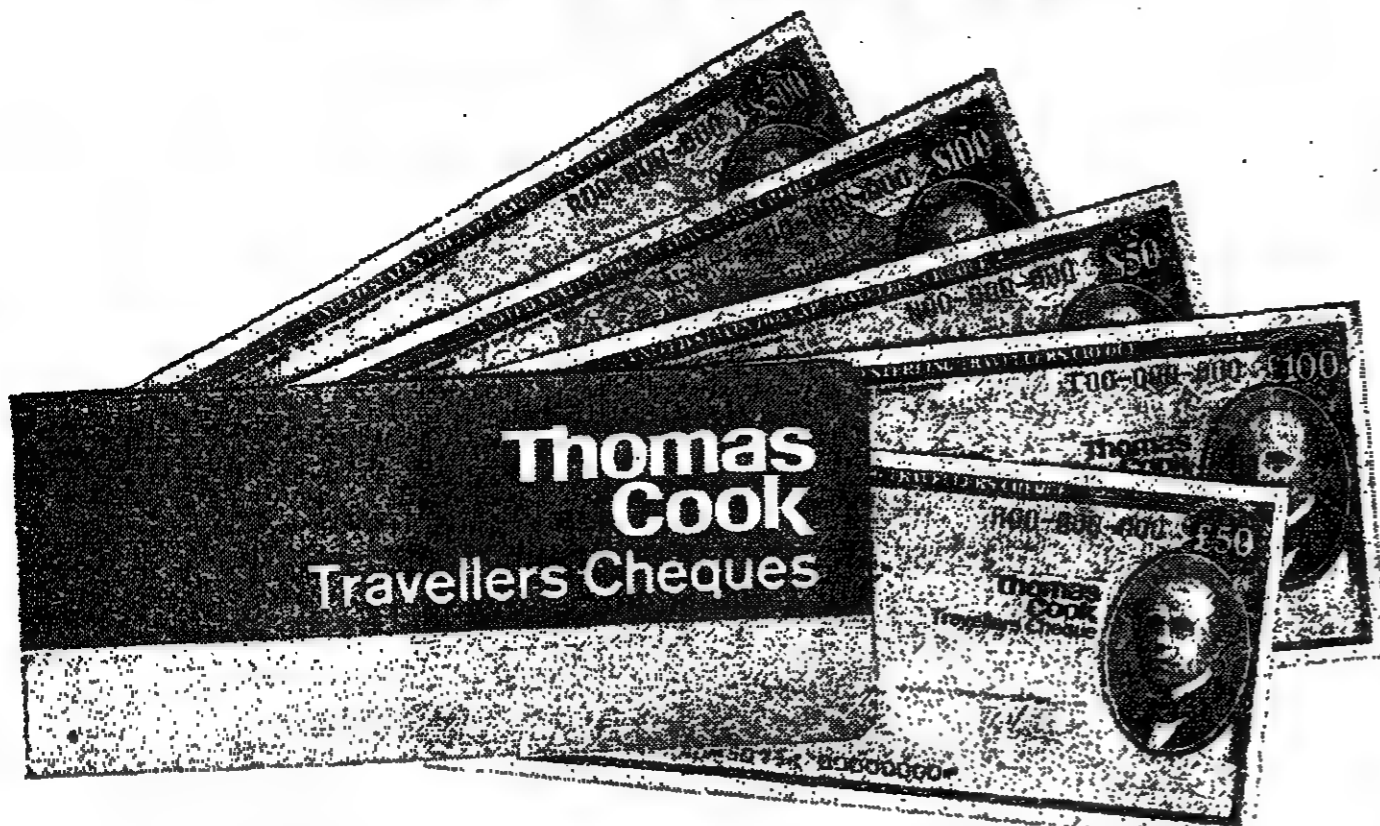
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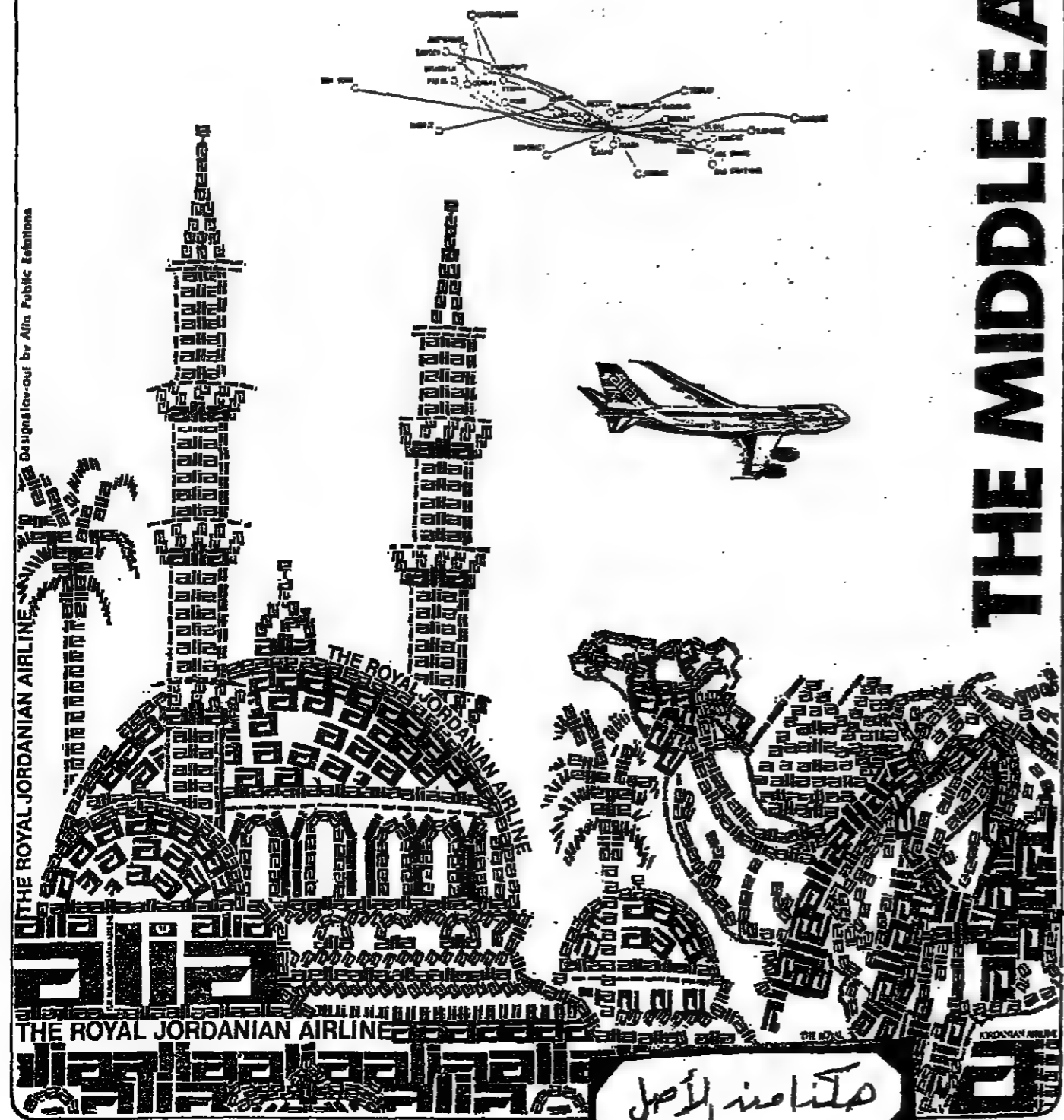
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## ARAB TRAVEL AND TOURISM IV

# Coping with the businessman

THE BREED of Western businessmen who first went to the Arab world after the oil price rise of 1973-74 will soon be looking back on those early years with a mixture of grim recollection and affection, much as men look back today on the Second World War.

Elbowing aside like a bunch of remote World War One veterans that relative handful of businessmen who knew the region before the great watershed, they will tell their children of the horror of nights spent on the floor of hotel lobbies, the fury of being thrown off over-booked flights clutching valid tickets, and the joy of making a successful telephone call in Cairo.

The sudden flood of businessmen into the Arab world after the oil price rise was very much like a gold rush, and it is not surprising that the region could barely cope with it.

In the oil exporting countries it was a seller's market and either the facilities for visiting businessmen were not there and could not instantly be created—such as sufficient hotels and adequate telecommunications—or there was little incentive to provide them. In the case of such things as good food, helpful service in hotels and restaurants, and acceptance of credit cards.

In the oil-exporting states there was sufficient capital to meet the need for new hotels, and though there are still hotel shortages in Saudi Arabia and Libya there is oversupply in several of the Gulf states, which puts the consumer for the first time in a reasonable position. The businessman is at last discovering a service approaching that which he could expect in most other parts of the world.

But he is still likely to encounter difficulties in the non-oil exporting states where capital is less plentiful, bureaucracies more entrenched and Governments face more pressing priorities.

Cairo, Damascus, Sanaa, Khartoum—here, though, conditions are gradually getting better, those who supply services have a decided edge on those who demand them.

Travel agents can now play a far more effective role in smoothing the business traveller's path than they could in the years immediately after the oil price rise, when hotels frequently ignored their telexes and disdained their vouchers.

Many travel agents arrange for businessmen to obtain visas, and in London they are supplemented by consular services to deal with these problems.

Most Arab consulate procedures for issuing visas have greatly improved—the Saudi consulate in Belgrave Square being a good example—and, for the UAE, British visitors now no longer need visas at all.

As Arthur Sandles describes in another article on specialist services, travel agents can almost always obtain hotel accommodation in the Arab world, often putting the visitor in one of a block of rooms which they rent permanently from the hotel. In places such as Sharjah and Dubai where there is a big surplus, they can now offer travellers a discount on hotel rooms.

If you do not deal through a travel agent it is essential in places where there is any danger of hotel rooms being short to have your reservation confirmed in writing and, in addition, have it re-confirmed by someone on the spot, since hotels can often quibble over reservations, especially if the traveller arrives late.

Where there are enough hotels, healthy forces of competition have obliged once surly and obstructive hotel staff to become smiling, helpful and efficient. Telephone operators in particular have become far better in many places, mainly because the systems they have to deal with have improved.

Broadly speaking, telephone services in the Gulf states are fairly good, though in places, such as the U.A.E. and Oman, there are still bottlenecks (for example between Dubai and Sharjah).

Saudi Arabia has moderately good city services, considering the phenomenal growth rate, but poor inter-city connections. In North Yemen, the telephone system is tiny and run down, and inter-city calls barely possible (there is only one line between Sanaa and Hodeida).

### Telephones

Telephones in Egypt are notoriously bad while those in Sudan, once good, at least within Khartoum, are declining under increasing pressure.

Telephones in Tunisia and Morocco are generally good, but the Algerian system is congested, especially in Algiers itself, though it has greatly improved in the past two years.

Syria and Jordan have reasonable city services, though less satisfactory inter-city, and external calls from Syria can be difficult. Iraq has good city and inter-city links, and many overseas calls can be dialled direct.

One of the better features of travelling in the Arab world is the enormous number of taxis, available for journeys in town and for trips from city to city. The drivers are not always safe, the cars rarely comfortable, but there are enough of them and they take you quickly to your destination, traffic permitting.

But for anyone who knows his way around town it can be less irksome (and save the need to bargain over the fare) to rent a self-drive car or rent a good car with an experienced driver.

Car hire operations are spread across the region: Avis now operates through licensees in eight Arab states: Egypt, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia, Oman, Tunisia, and UAE (though in Saudi Arabia it operates only in Jeddah). Avis would like to set up licensees in Iraq, Libya, Qatar, Sudan, Syria and North Yemen.

Money has largely ceased to be a major problem in the Arab world (except that you need prodigious amounts of it to contemplate visiting it at all).

In the initial years after the oil price rise, hotels which accepted credit cards were few and far between, mainly because they could get their customers to pay in cash or travellers cheques.

Vast quantities of travellers cheques had to be taken to the Arab world, and the traveller who did not have enough money had to obtain more from home by means of telex transfer to a local bank. That could and still can be a laborious process, not just because the transfer could take a long time but because in many banks the process for collecting money can be agonisingly slow.

Now telex transfers should not take more than 24 hours if the sending bank has a branch in the region—if not it may take three days.

American Express and Diners Club credit cards have now penetrated to all major cities in the Arab world, and it is fairly rare to find a good hotel which will not accept a credit card.

Iraq is the only Arab country where American Express has had difficulty operating. But despite the growth of credit card outlets it is still advisable to take several hundred pounds in travellers cheques, partly because of the high cost of living and partly to guard against contingencies.

Thomas Cook believes its cheques to be the brand leader in the region. Cheques are usually better-cashed at money changers where these exist legally rather than at banks or hotels, because banks (except the branches in hotels) are slow and hotels charge commission, often as discouragingly high rates: money changers, on the other hand, are highly efficient, fast and offer good rates.

Shopping in the Arab world is fun and usually rewarding, though the businessman may find after a few trips to the

Arabian peninsula that he is exhausted the possibilities of buying craft items and that quality, for the prices charged, is moderate.

There are of course good things to be found, especially jewellery in places like Sanaa in North Yemen, and Niwa, Oman, but they are becoming more rare.

The shopper in Arabia may be better off turning his attention to possible bargains in photographic and electronic goods sections of the main duty-free shops.

Europe. But the souks outside, for example, Damascus, Aleppo, Cairo and Marakech—have a far wider range of goods, workmanship is better, prices more competitive, and shopkeepers readier to bargain.

Undoubtedly one of the remaining bastions of hassle is a fast-improving Arab world airline office where a businessman arranges his journey or return to his

Certainly there have been enormous improvements in line customer services in the past two years: it is far easier for a passenger to be bumped off a flight when he has a ticket, partly because there is now much more capacity available; and one of the worst journeys in the Arab world—the one between Jeddah and Riyadh—has been

become more tolerable and system for obtaining a ticket generally functions smoothly.

Yet, for the most part, downtown offices of airlines are small, crowded and confusing, and the system by which seat reservations are made too often inspires little confidence that a passenger's name will end up on the manifest.

There are many tales of kaeque experiences in Syrian Arab Airlines' offices in Damascus, Saudi downtown office in Riyadh, Sudan Airways' downtown office in Khartoum.

Squeezed

One of the more bizarre experiences of flying in Arab world is to be told the flight is fully booked and you can only be squeezed on "absolutely the last passenger" and then find that the plane takes off half empty.

The other feature of air travel in the region which travellers hate is the congestion at airports. Almost all of them facilities designed to handle much smaller numbers people and can only just cope in the richer states, relief is the way as new airports usually under construction; in the poorer ones there seem to be little relief in sight discomfort and chaos.

It is a good idea for frustrated travellers to realise reasons for the problems they meet in the Arab world. Complaining will almost certainly achieve very little and then everything to be gained from being polite, friendly patient.

The perceptive businessman will learn lessons about economies of the Arab country and the behaviour of its inhabitants—information which should help him enormously in his business dealings.

James Bost



A money dealer in the Jeddah Souk

## Specialist assistance

THE DEVELOPMENT over recent years of specialist help for the business traveller has nowhere been stronger than in the field of assistance to those going to the Arab world. It was, of course, in this field that assistance was most seriously needed. Suddenly an area which had been largely ignored by international business became a focal point for investment as well as commercial and financial activity.

Unfortunately, the business visitors found themselves in a world which was deeply culturally different from that in which they normally operated, and one in which for once the local community saw no particular attraction in adopting many of what they saw as less desirable western practices. To Europeans and Americans accustomed to the practice of commercial colonialism this

shock. They found themselves in a world of different languages, different writing, different business approaches and different social practices.

All that was written in the past tense because recent years have seen a development of mutual understanding and other reasons for business

respect. Many travel agents have spoken in recent weeks to the European businessman visits the Arab world with much more confidence than he did five years ago and shows considerable sophistication in knowing what to expect where, rather than attributing the whole area with some misconceived generic aura.

Business travel agency work is such a specialised trade these days that increasingly companies in it are locking themselves away from general public gaze and selling such things as package tours only to their business clients who ask. Large groups such as Thomas Cook and Lunn Poly have hived off their business travel houses into self-contained units and many of the large business travel agencies are scarcely known to the general consumer.

One of the major drives in recent years behind the growth of these operations in the Middle East at least has been the shortage of hotel rooms. An agent with a pre-arranged basic allocation of rooms is clearly a valuable friend when such accommodation is at a high level of premium. But there have been other reasons for business



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## ARAB TRAVEL AND TOURISM V

مكتبة السفر

## The Gulf

## Severe obstacles

TOURISM in the Gulf seems to face almost insurmountable obstacles. Air fares are high and hotels are merely expensive. While most states are suspicious of anyone visiting the region who is not a businessman.

When most Gulf centres had crippling hotel shortages, tourism was out of the question. But now, as a result of the over-building of hotels in many cities, occupancy rates may be 20 per cent or less. Businessmen are being offered discounts and the possibility of filling rooms with tourists has suddenly become attractive.

The hotel surplus is worst in the United Arab Emirates. Sharjah in particular is a hotelier's nightmare with half a dozen fine hotels where the most skilful manager can rarely achieve more than 30 per cent occupancy, while others suffer rates as low as 12 to 15 per cent. But these hotels are either on fine beaches with good bathing or on sandy lagoons, and the quiet atmosphere of the place is attractive after the bustle of Dubai.

Sharjah was the first Emirate to consider tourism but so far its ambitious schemes have not got very far. Holiday villas have been built on the lovely east coast of the Emirate at Khor Fakkan on the Gulf of Oman,

and a 180-room Holiday Inn hotel is to open there next March. Down the coast at Fujairah, in the Emirate of that name, a Hilton stands little occupied during the week, but with rather more trade at the weekends when people come up from the bleak west coast cities of Abu Dhabi and Dubai. In the north of the UAE an Intercontinental is being built at Ras al Khaimah, which though a centre for light industry, also has a fine creek and attractive old buildings.

The hotel surplus is less acute in Dubai, the trading centre of the UAE, though in the last 12 months it has gained a Hilton, a Sheraton and half a dozen lower-priced four star hotels. Construction is still going ahead on the Plaza Corniche hotel to be managed by Hyatt, part of a complex which is to contain an ice rink and sports facilities. Three more hotels are to open in the next few months on the outskirts of the city.

Abu Dhabi, as the richest Emirate, is still experiencing floods of businessmen and government delegations, and subsequently still has the most healthy hotel occupancy rates, partly because it has been slow to build new hotels. When the Hilton opened its Dalmia Residence only a month ago, occupancy jumped immediately to

the 60 per cent mark. However, an Intercontinental, a Meridien and a Sheraton are under construction.

If there is a market for the spare hotel beds in the UAE and elsewhere in the Gulf it should be found partly among expatriates living in the region who want to get away from drearier places like Dhahran or Riyadh for a change of scenery, beaches and the chance of an alcoholic drink; and partly among visitors from the U.S. and Europe who might be attracted by the romance of Arabia—"up-market" country collectors, desert freaks and camping nuts," as one travel agent puts it.

The theories are now being put to the test: the company Yusuf bin Ahmed Kano is for the first time promoting in the U.S. tours combining several centres in the Gulf, including Bahrain, Doha in Qatar, Dubai and Abu Dhabi, with the possibility of side trips into the desert and other diversions. The capacity is thought to be for about 2,000 tourists during this winter, but it has yet to be seen whether the idea will bear fruit.

Yet it is striking that few hoteliers in the UAE are yet showing much enterprise in marketing their hotels for the regional weekend visitor. There seems little desire to provide some of the amenities such vis-

itors are certain to want, such as boat trips, diving facilities and fishing. There appears to be little move towards any mass lowering of hotel prices, with most hotel owners apparently determined to keep to the high prices that appear, at least on paper, to offer a possibility of recovering the costs of hotels for which virtually everything from carpets to apples has to be imported. However, the hotels are now beginning to court travel agents in Dhahran and the travel department of Aramco in Saudi Arabia.

One drawback to tourism has now been removed in the UAE: it is again possible to obtain visitors' visas easily; the American and British visitors do not need visas at all for a month's stay. But at the same time it may be indicative of attitudes that the federal Ministry of Information and Tourism has now become simply the Ministry of Information, while officials in the northern Emirates show little eagerness to protect their Arab heritage and preserve their old souks or maintain local crafts. "It will all look like Cincinnati, Ohio, before long," one travel agent commented sadly.

## Heritage

Oman, just across the border, has preserved far more of its heritage and, of course, had far more to preserve. It could be the jewel of any Gulf tour but so far Sultan Qaboos has been hesitant about its development, fearing for the effects tourism might have on his people and reluctant to allow in too many

strangers. But its hotels are beginning to suffer the same occupancy problems as those of the UAE: the downturn in trading and the difficulties of entering the country have not helped such ventures as the Government's new Intercontinental. Recently Kano of Bahrain secured permission to bring in the first small group of tourists, sponsored by the Intercontinental, who will make a trip by dhaw from Muscat to Sur, then camp in the Jebel Akhdar.

Bahrain, however, is going all out to become the pleasure island of the Gulf. A leading local merchant, Jamil Wafai, has recently formed a hoteliers' association to jointly market the island, and the Government has recently established a tourist information department. Bahrain is featured with other Gulf stops in the brochure of a number of leading U.S. tour operators this year. One organised by Traveluxe of New York costs \$1,490.

The island's hotels have taken the lead in promoting Bahrain as a holiday place for the weary expatriate living in the eastern province of Saudi Arabia, and negotiations are under way with the travel department of Aramco to fly in employees for a week of relaxation, not to mention alcohol.

Bahrain will see a tripling in the number of first class hotel rooms which will be available in the next two years. The island already has about 1,500 first class rooms available.

Kuwait and Qatar are the only two States which have no pretensions to a future tourist trade. The Qatari authorities



A vegetable market in Abu Dhabi

are also in the process of re-negotiating the contract for their new 350-room Sheraton, whose construction was halted at the end of last year. A dispute arose over the final cost of the project, which the Government thought should be 30 per cent lower than outlined by the contractors. However, the project is still going ahead, and a new contractor is expected to be announced very shortly.

Kuwait has not gone in for large-scale hotel building and despite the continuing high demand for hotel accommodation, only a few major projects are under construction while some were cancelled. With 800,000 visitors coming in and out of Kuwait airport a year, the existing hotels can still ask for such rates as £50 a night for a single room, and even then local travel agencies still recommend as much as a month's notice in advance to be sure of getting a room.

The only expansion in the number of rooms currently on

the horizon is the massive 600-room hotel complex managed by Meridien and owned by the Salhiyeen real estate company, and the 120-room extension at the Sheraton which is due to open shortly.

To cope with the chronic situation, and as happened in the lower Gulf two years ago, a cruise liner is being brought in to cope with the demand. The former "Stella Polaris," once used for wandering around the Greek islands, will be managed by Marriott Hotels.

If the private sector has been reticent about such investment, the Government has not, for the Kuwaiti authorities are anxious to improve recreational facilities at home. Through its 92 per cent shareholding in Touristic Enterprises, four beach clubs and two seaside chalet resorts are being built. First to be opened will be the Falaka island complex of 473 chalets, with supermarkets, swimming pools and restaurants. Its owners are hoping that resi-

dents will be tempted to stay during holiday periods there, and say the rates will be cheaper than the hotels. Their next largest project is Mina Saud, 30 miles south of Kuwait City, which will have 760 chalets and a marina for 200 boats.

But for the moment, as all Gulf hoteliers realise, businessmen are still their bread and butter. Ironically, the same boom that brought those intrepid travellers in the beginning, has caused over-investment which is so especially apparent in the lower Gulf. Travel agents may say that prices must come down, but so far they have shown no sign of doing so. Neither have the high airline fares to the area. When an Indian businessman recently proposed an £80 single fare to the Gulf and managed to secure traffic rights from tourist-hungry Sharjah, the national airline, Gulf Air, was quick to object.

Kathleen Bishtawi

## Egypt

## Peace will lead to prosperity

OFFICIALS in the Egyptian Ministry of Tourism, and many of their countrymen, are already looking forward to the prosperity they believe will come in the wake of the Camp David meetings.

"We're expecting a boom after the peace settlement," says Farouk Abou Seada, managing director for operations in the Egyptian General Company for Tourism and Hotels, "not just in tourism, but in everything."

Tourism is one of the cornerstones of President Anwar Sadat's open door economic policy to attract Western and Arab investment. According to Government figures, Egypt last year earned \$648m from tourism, making it one of the country's main sources of hard currency.

During the regime of former President Gamal Abdel Nasser, says Mr. Seada, tourism was not promoted, "but now, the whole world wants to see Egypt."

First class hotels are owned by the Government, but managed in many cases by foreign companies, and, to encourage foreign investment in tourist projects, Egypt offers a five-year tax exemption period.

Tourism officials believe the financial return from tourist projects is quicker than from heavy industry, making them profitable outlets for foreign investors, and that such projects will create new jobs for Egyptians.

The Government has allocated \$1bn in a five-year development plan to build new hotels and renovate old ones. By 1982 it is hoped that 1.7m tourists will visit Egypt annually, about 100,000 more than in 1977, and that the number of hotel beds will double, from 20,000 to 40,000.

First class hotel accommodation is still hard to find and travellers from the U.S. and

Europe are often warned by travel agents they may not get a room in Cairo, where five-star hotels are 98 per cent occupied throughout the year.

That situation may be relieved somewhat, says Mr. Seada, with the 330-room El Salam Hotel, which opened recently. It was built by the British firm Brent Walker. A new Sheraton Hotel is due to open early next year, making 700 rooms available, in Heliopolis, just outside Cairo.

Also as part of the five-year plan, Cairo's Hilton Hotel is being expanded, while along Egypt's magnificent Red Sea coastline, camping sites and chalets are currently under construction.

## Temples

In Luxor, about 680 miles south of Cairo where thousands each year explore the tombs and temples of the ancient Egyptians, Sheraton is planning to build a new 400-room hotel.

And on the Nile, four floating hotels are planned to ply between Luxor and Aswan, two of which will begin early next year and two in early 1980.

So far, according to Hamid Abdel-Meguid, Secretary of State for Tourism, construction is moving ahead according to schedule, although he says there are delays caused by shortages in building materials. By the end of this year, Mr. Abdel-Meguid predicts, the country's hotel capacity will have increased by 2,000 rooms.

The Ministry of Tourism is no longer accepting construction proposals for five-star hotels, officials point out, and will now concentrate on more modest three- and four-star projects, as Egypt is trying to make its Islamic and Pharaonic treasures more accessible to younger, middle-income tourists.

Most foreign investors are interested in five-star hotels," Mr. Seada says, "but we are trying to convince them that three-star hotels can be just as profitable and efficient."

For years Egypt has been most readily available to older, affluent western tourists who come in large groups and travel from Cairo to Aswan, staying in first class hotels, according to a prearranged tour. The number of independent tourists, who make their own arrangements along the way, has been small.

"We're now trying to prepare for middle-income, individual travellers," Mr. Seada explains, "so that a tourist can rent a car in Cairo and drive by himself all the way down to Aswan."

En route, according to current Government plans, a motorist will find inexpensive motels and restaurants, and, should they prefer not to drive, buses will be available to individual tourists who wish to make the trip on their own and not part of an organised guided tour.

But as the Government rushes to meet the objectives of its five-year plan, some worrying signs have appeared this year in tourism. The anticipated increase in the number of visitors has failed to materialise, principally because Arab tourists from those countries opposed to President Sadat's peace efforts have stayed away in large numbers. Arab visitors annually contribute the biggest share to Egypt's tourism revenue.

Recently released figures from the Ministry of Tourism show that 663,000 tourists had visited Egypt between January 1 and the end of August this year, almost 10,000 fewer than in the same period last year. Revenue from tourism in the first seven months of 1978 increased, but only by 3 per cent.

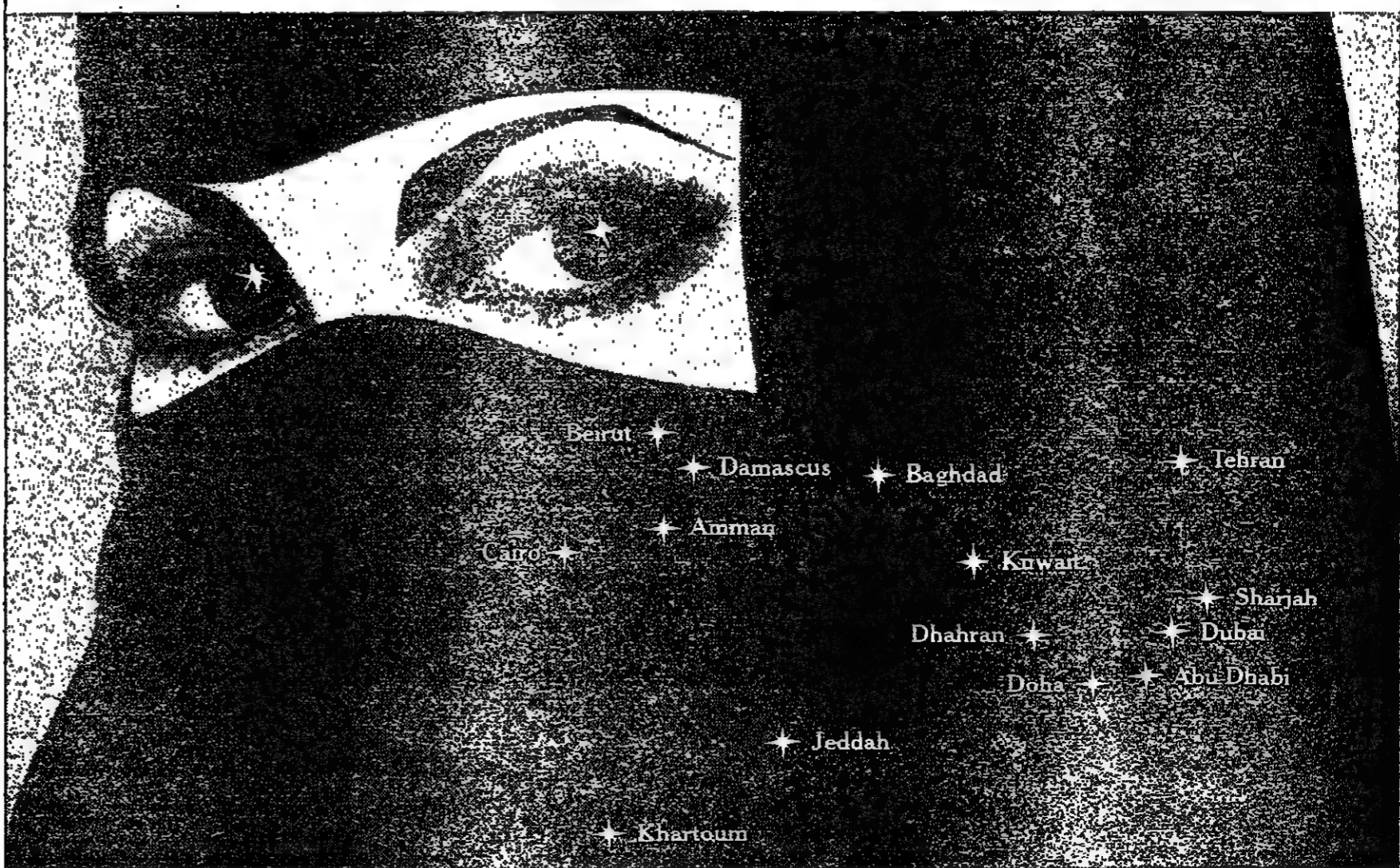
Ministry of Tourism officials say they are not alarmed, although it is clear that any sustained drop in Egypt's tourist trade would deal a serious blow to the country's development plans.

Ramadan, the Islamic holy month during which Moslems fast from sunrise to sunset, was in August this year, and, according to Mr. Seada, many Arabs who traditionally visit Cairo at this time preferred to observe the fast in their own countries.

Other officials point out that big spending Saudis continue to visit Egypt in large numbers, as do Americans, 92,000 of whom have so far visited the country this year, a 30 per cent increase. And with Egypt's popularity among British, French and West German tourists, who usually arrive in October, November and December, they are confident that the losses in the Arab trade can be overcome by the end of the year.

Nathaniel Harrison

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## ARAB TRAVEL AND TOURISM VI

## Morocco

## Something for everyone

A RECORD 1.1m tourists visited Morocco last year, an increase of nearly 24 per cent over 1976, and the upward trend continued this year with a further increase of nearly 14 per cent in the first six months.

Officials believe this means Moroccan tourism is out of the trough caused mainly by the European recession. The number of visitors rose steadily until 1973 then declined for three years, but since last year it seems a distinct recovery is evident.

Consequently tourism is the third biggest foreign exchange earner after phosphates and remittances from emigrant workers in Europe. Revenue last year rose 24 per cent to about \$182m.

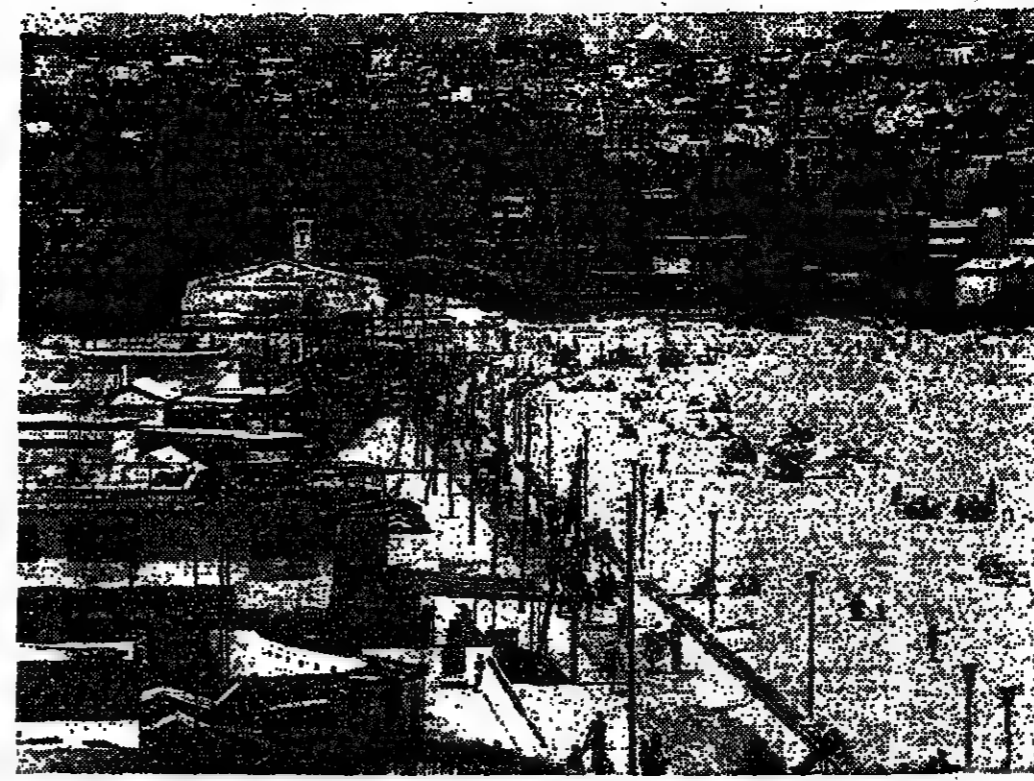
Moroccan workers in Europe, who sent home \$340m in remittances last year, also accounted for half of the increase in tourism. They arrive mainly in summer for Moslem religious holidays. Last year there were 864,000 of them compared to 204,000 the year before.

Thus they were more numerous than French visitors (290,000) who have always represented the bulk of tourists in Morocco, after Arabic, a French-speaking country and where the vast majority of facilities cater to French tastes.

However, apart from transport utilities returning workers do not represent a big clientele: for the hotels and vacation villages which are the backbone of the tourist trade for the French, Spanish, American, British and German visitors are, in that order, the most important.

The spread of tourism throughout the year is very uneven. The peak periods are the summer months of July and August when it is hard to find accommodation in resorts like Tangier and Agadir which attract large numbers of northern Europeans seeking sun, sea and sand.

There are other small peaks in winter, at Christmas and New Year, and at Easter, at which times it is very hard to find a hotel room in Marrakesh, one of the "in" places to be for the wealthier class of tourist, or down in the sub-Saharan oases like Zagora.



The beach at Tangier

Erfoud and Quarzazate.

Between these peaks there are relatively slack periods, but during which there is a fairly regular flow of charter groups spending five or six days or long weekends on rapid tours which are pretty cheap.

These periods too there are significantly increasing numbers of Moroccan local tourists who are offered cheap weekends in mountain resorts like Ifrane, Ketama and Chaouen for example.

Despite the progress of the last two years or so tourism has definitely been below official expectations. The total number of tourists was 25 per cent below the 1973-77 Plan target. Hotel construction was far below the Plan target with 15,000 new beds compared to 50,000 that were planned.

The same trend was apparent in plans to train Moroccan tourist trade specialists. There were only 1,731 graduates from tourism schools when it was hoped to have 3,460 at the end of the five-year period.

Under the Plan a total of \$84m were invested in tourism and by the end of 1977 there were 51,000 beds available, which are not big tourist attractions and hence not considered camping grounds. Another 15,000 beds were under construction at the end of the Plan for the tourist trade provides and at present this figure has a series of inducements or

rise to 18,000 so that at the end of next year there should be 70,000 in all.

Future plans are not known with precision because the new five-year Plan due to start this year has been scrapped as being too ambitious. A three-year "transitional" plan and period of austerity have been substituted, but tourism will continue to get a high priority because the principal objective in the short term is to increase foreign exchange earnings to rectify a chronic trade deficit.

Private enterprise plays a large part in the construction and management of tourism facilities, particularly hotels. At present for example of the 18,000 beds currently under construction about 62 per cent of them or 42 per cent of the total investment are the work of private companies.

The Government's participation in the current programme is 16 per cent of the investment while the share of "mixed" public and private companies is 42 per cent. In general the Government tends to build in outlying areas like Oujda, Tixit, Khouribga and Tan-Tan, which are not big tourist attractions and hence not considered economically by private enterprise. A special investment Code for the tourist trade provides a series of inducements or

set up hotel management companies like Farab-Maghreb which runs 12 hotels totalling 4,150 beds and the Morocco-Kuwait Development Company which is currently active in 32 projects for a total investment of \$26m.

Apart from companies like Hilton, the National Railways, and the Club Méditerranée (which has 4,420 beds in seven vacation villages in Morocco), there are a number of hotel management companies like the French PLM company, Diafa (18 small hotels), Safir (which operates big hotels in Casablanca, Tangier, Agadir and Marrakesh), Maroc-Tourist (eight hotels) and Appart-Hotel which has four hotels in Agadir.

A new company called Sidetisa plans to build six new hotels totalling 790 rooms in the Sahara ceded to Morocco by Spain in 1975, but in general most new developments are in the traditional tourist centres: like Agadir, Fez, Marrakesh, Tangier, Casablanca, along the Mediterranean coast and in certain mountain areas.

Morocco's ancient cities, especially Fez and Marrakesh, will always remain the major poles of attraction for American and European tourists looking for the complete change of scene to be found in their medieval settings. They have been so for 80 years or so, but there is a marked new trend towards the creation of "integrated tourist complexes" which are glorified vacation villages and designed for lower budgets.

The two main ones are the Tangier and Agadir Bay Complexes comprising hotels, villas, apartments, marinas, shopping centres, camping sites and sports facilities of all kinds. Tangier is being designed mainly as a summer resort, while Agadir, which claims 300 days of sunshine a year and is on the same latitude as Florida, is being made into a year-round seaside resort.

Morocco feels it has something to offer almost every kind of tourist from the low-budget camper to the well-heeled American who demands five-star surroundings with his date palms and camels. And in all categories officials maintain their prices are still very competitive compared to Europe.

Stephen Hughes

## Incentives

There are also financial incentives, including a two-point interest rebate on loans from the Crédit Immobilier et Hotelier (CIH), a Government agency, and an interest-free advance of up to 15 per cent of the total investment from the CIH, reimbursable in 10 years with a six-year period of grace.

The CIH is in fact one of the major locomotives for the tourist trade. In the last five-year plan it made loans totalling \$46m for the construction of 13,000 beds, \$15m in 1977 alone, plus \$680,000 invested last year in tourism transport. CIH finance has been used to

## North Yemen

## An adventurous spirit is an essential asset

TRAVEL IN North Yemen is more rewarding than in most of the Arab world. Not just because it is a dramatically beautiful country of mountains and green valleys, of superb villages and tower houses and with the most equable climate in Arabia; it is also because tourist development has only just begun so that the visitor has far closer contact with Yemenis than he usually has with the local population in any other Arab country.

To visit the country as a tourist it is essential to be adventurous. This is not a place for the lover of luxury: only three cities—Sanaa, the capital; Hodeida, the main port on the Red Sea, and Taiz, in the south—have western-style hotels, and they are heavily booked up and very expensive indeed. Though there are places to visit on day trips from all three centres the hire of a Mercedes and a driver can cost well over \$100 a day. People visiting the country specifically as tourists (as opposed to visiting businessmen taking a day or two out of a business trip) usually go either on organised tours or, having arrived on a cheap air ticket, travel independently.

The organised tours are a good deal more exciting than they sound. They usually involve the occasional night in good hotels, but most of the time they rove the country in Toyota Landcruisers and camp at night far from the beaten track. From the UK it costs \$664 for a 16 day visit. If you travel independently, as I did with my wife last year, you can either ride in the shared taxis which ply between towns and villages or you can hitch-hike, which is easy if nerve-racking. Virtually every village has a very simple hotel, consisting of a series of rooms each containing half a dozen beds or just mattresses.

The view and the crisp air, first thing in the morning will more than compensate for the often grim washing facilities and, occasionally, the problems of getting good food. Staying

in the villages teaches more about the Arab world in a few days than a year in an air-conditioned hotel.

Tourists only started to go to North Yemen during the 70s. It is estimated that in 1975 about 12,000 tourists visited the country and it is thought that about 17,000 visited last year, spending an estimated \$7m. Some 25,000 are expected next year. This is the very small base from which tourist development in the country must start.

As the Government sees it the most obvious limit on the number of tourists is the lack of good hotel accommodation—Sanaa has only about 450 rooms in hotels that most westerners would find acceptable, and Taiz and Hodeida many fewer. But with new hotels under construction the number of rooms in Sanaa should double in the next year and new hotels are being built in the two other cities. Even so with the growth of business there may still not be enough hotel space to accommodate tourists at reasonable rates, especially as hotel prices are unregulated.

## Advantages

The Yemen government is aware of the advantages of developing tourism both as a means of earning foreign exchange and as an industry to provide employment. The country's current five year development plan includes a proposal for building tourist villages at some of the main tourist sites (including the Red Sea coast) and, as a matter of second priority, creating a hotel staff training centre.

But tourism has in general not been accorded high priority in the plan. Consultants point out that to accommodate tourists in large numbers there should be a programme for upgrading the small village hotels and restaurants; drafting and enforcing a code of minimum standards for hotels; drawing up an investment incentive law for the private sector; tailoring handicraft production to tourist needs; establishing agricultural

schemes for feeding tourists; Jordan or Egypt would entail.

Such a plan would have to match Yemen Arab Republic's determination to preserve its traditional way of life, rockets, labour is short and to maintain ancient build- ings and to continue using the traditional architectural styles which means preserving the chief reasons for visiting the country. But the old Yemen is inevitably being eroded as at this stage it is possible to implement a large scale tourism programme into the country in the development plan successfully.

It may well be that for now in Saudi Arabia, and it is not certain whether the Government really wishes to see the hundreds of thousands of visitors a year which tourism organised on the scale of

The Government may also be conscious of the difficulties of developing tourism on a large scale while inflation is high, labour is short and Government control of the economy shaky. Even if the authorities wanted to, one wonders if in one of the least developed and least developed countries of the world it would be possible to implement a large scale tourism programme into the country in the development plan successfully. It may well be that for now in Saudi Arabia, and it is not certain whether the Government really wishes to see the hundreds of thousands of visitors a year which tourism organised on the scale of

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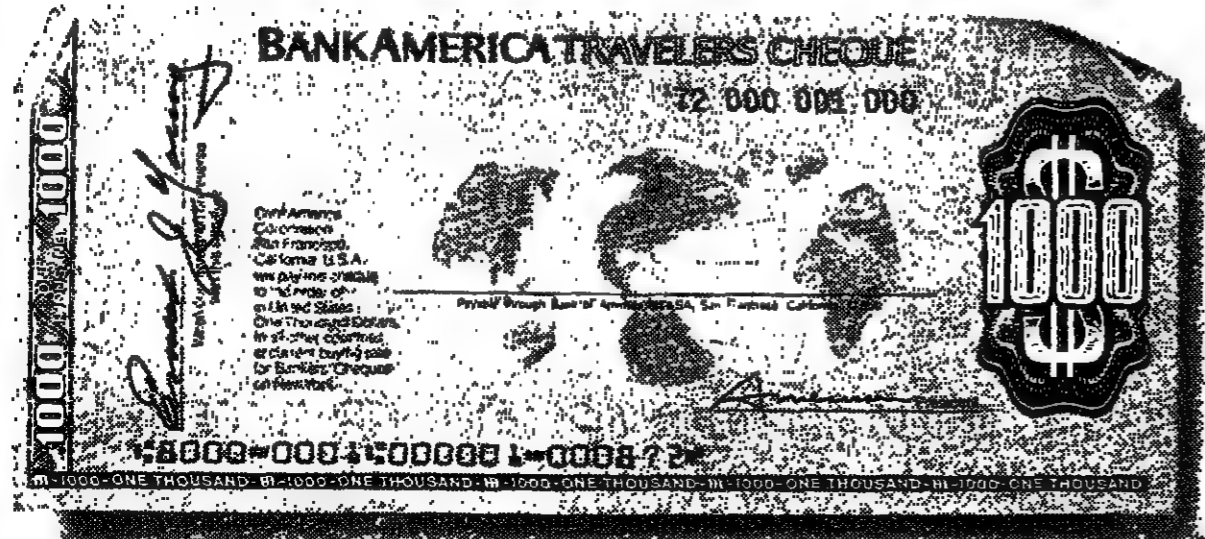
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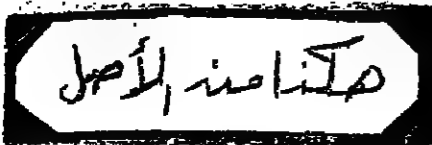
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## ARAB TRAVEL AND TOURISM VII

## Algeria

## Varied attractions

OF THE three north African plenty available in Algeria and who often have to reside in hotels for months on end for want of alternative means of accommodation.

Algeria and its leaders have had better things to do in the past 12 years: all energies have been concentrated on developing new industries, linked or not with oil and gas, on educating a largely illiterate population, and on trying to improve the agricultural sector. Tourism is a secondary preoccupation and one which would pose many problems were it ever to be developed on a grand scale as in the neighbouring countries.

First of all, Algerians do not like to serve whether the customers are Europeans or fellow Arabs. The war has made them prouder, the war has also destroyed their society to an extent that is unknown in Tunisia and Morocco. Hence social relations are more difficult and this is reflected in a more brittle approach to the simplest problems.

There are plenty of exceptions but the norm is depressing and rather unwelcoming. Then, the lack of consumer goods available in Algeria means that facilities are not what Europeans are used to. Repairs take months: there are far more hotels with swimming pools out of order than not and dead. True, many hotels have been built and staffed, if inadequately in many instances. But as for attracting half a million foreigners a year, only the Ministry of Tourism ever seems to have taken the figure seriously. As it is, with a steadily rising average income, and a flourishing new bourgeoisie, the hotels are not looking for customers. There are

Many hotels also present architectural problems. Often built by the French architect Fernand Pouillon, they are remarkable in the way they combine traditional and modern forms, but this often means that the rooms are a long way away from the reception areas. As the telephones in the rooms often do not work and porters are not always available to carry luggage, the result can be daunting.

The sites on which the new hotels or mini-resorts are located can be stupendous. The praises of the village at Tipaza on the coast west of Algiers where Rome built a city has been sung by André Gide. The hotel in the Beni Yenni village in the mountains of Kabylia is a romantic's dream, opening on to rugged peaks, narrow valleys and villages suspended on narrow ridges. On the edge of the desert in Ghardaia, the view, at night, of the five cities set in the oasis is unforgettable with gleaming white mosque towers shining under the moon.

The distances between the various cities and sites is considerable. This is a vast country and travelling can be difficult but hold travellers will find their reward, often in unexpected places where hospitality is still cherished. The eastern provinces around Constantine are an archaeologist's dream: Roman, Arab, Berber sites, some of them remarkably excavated in recent years, such as the for-

treas city known as the Kaiaa of the Beni Hamads.

Small numbers of Europeans have always gone to the Hoggar mountains and the Tassili to see the prehistoric frescoes. They will continue to do so, especially as out of season travelling becomes more popular. The desert is wonderful between October and March. Those who are prepared to brave some of the elements go back: the absence of any Club Mediterranean type ambience appeals. Furthermore, moving around has at least one advantage here: internal travel, even by air is cheap.

Not by any official design, Algerian tourists make up most of the guests in the country's hotels. They can be as grumpy as any foreigner because of the often poor nature of the service. They have the income to afford to travel or visit their families and they do.

In the years to come, tourism will not earn Algeria much hard currency and will not attract the massive package tour groups. Improvements will probably come although many in Algeria feel that to put more hotels in private hands is the only answer. The state has more important tasks than to run hotels. The absence of the package tour industry has at least one advantage. For the more adventurous, for those Europeans who do not need a night club at every turn and fish and chips for dinner, Algeria will continue to offer some exceptionally varied sites and cities.

Francis Ghiles

## Jordan

## A spectacular boom

HISTORY AND nature have both been kind to Jordan in providing it with a combination of touristic attractions that has to be considered dazzling by any standard. But a chronic lack of finance has always hampered the state's efforts at serious development of the required facilities, and the private sector has recently stepped into the picture in a big way to do the job that the state has always found to be beyond its means.

The result, during the past three years, has been a sustained and at times spectacular boom in tourism. The Government today takes the lead in co-ordination of development of infrastructure, but there is still a long way to go before the facilities that contemporary man provides match the attractions that past civilisations and geological eras

have bequeathed to Jordan.

Revenue from tourism remains an important factor in offsetting Jordan's chronic trade deficit. Last year, according to central bank figures, tourist receipts reached the \$300m mark, a sharp rise from the \$30m registered only four years before.

These figures reflect a parallel increase in the number of visitors to the country, which has risen from a mere 130,000 in 1970 to 600,000 in 1976. In 1970, 700,000 in 1973 and 930,000 last year. There have been sharp drops and rises in between, reflecting the wars of 1967 and 1973 and the influx of refugees from Lebanon and the unusual double influx of Moslem pilgrims en route to Saudi Arabia in 1976.

The growth rate has now returned to a normal pattern, however, and barring any more

regional upheavals the tourist sector should continue its brisk growth for the foreseeable future, particularly because the single biggest constraint on its growth, the lack of adequate hotel space, is well on the way to being overcome.

The country still boasts only 2,000 rooms in classified hotels and resthouses, but 25 hotel projects underway or about to start will add another 3,000 new rooms to the total by the end of 1982. This represents an investment of over \$200m, of which over 80 per cent is provided by the private sector.

Parallel to the development of hotel projects is a recent growth in the number of restaurants, also mainly funded by private investors.

The government, however, still has to take the lead in opening up some of the remote but spectacular regions of the

country, such as deserts of the east and south, the cool hills of the north and the hot springs around the Dead Sea.

In fact one of the dilemmas of the Government's planners is where to set priorities, given the variety of sites to develop. These include year-round sun, sand and sea resorts at the Dead Sea and the Gulf of Aqaba, the natural extravaganza of Wadi Rum (site of the filming of Lawrence of Arabia), archaeological sites of which Petra and Jerash are the best known, Islamic desert castles, crusader fortresses, desert oases, mineral hot springs and even some of the best bird watching sites between Europe and Asia.

This variety of attractions alone would keep European and North American visitors coming to Jordan, but added to this is the successful drive to offer Amman as a gateway to the Holy Land attractions of Jerusalem and Bethlehem in the Israeli-occupied West Bank. New regulations now make it easier than ever for foreign visitors to cross the Jordan River on air-conditioned buses for a comfortable visit to the West Bank.

Added to all this, however, is the sharp rise in Arab visitors, particularly those from the humid Gulf states who have recently discovered the cool, green hills north of Amman. In fact, 80 per cent of visitors to Jordan are Arab nationals, although a large part of these are Moslem pilgrims en route to Saudi Arabia or Palestinians en route to visits to the West Bank.

With its long-term aim of promoting "selective tours," the Tourism Ministry is developing facilities to serve the many special interest tourists that it expects in the future.

This means simultaneous development of mineral springs, desert, beachfront, antiquities and the hilly areas, with an aim of spreading out the touristic attractions and infrastructure throughout the country, and avoiding a massive concentration of visitors at one or two sites.

Another aim in this drive is to provide more services for the growing domestic tourist sector, which has also been spurred by a recently regulated price code for hotels and restaurants which have seen an appreciable drop in some prices.

One lingering headache has been the lack of trained staff for the tourist sector, and the requirement for another 4,000 workers in this field in the coming four years can only be met by more imported labour.

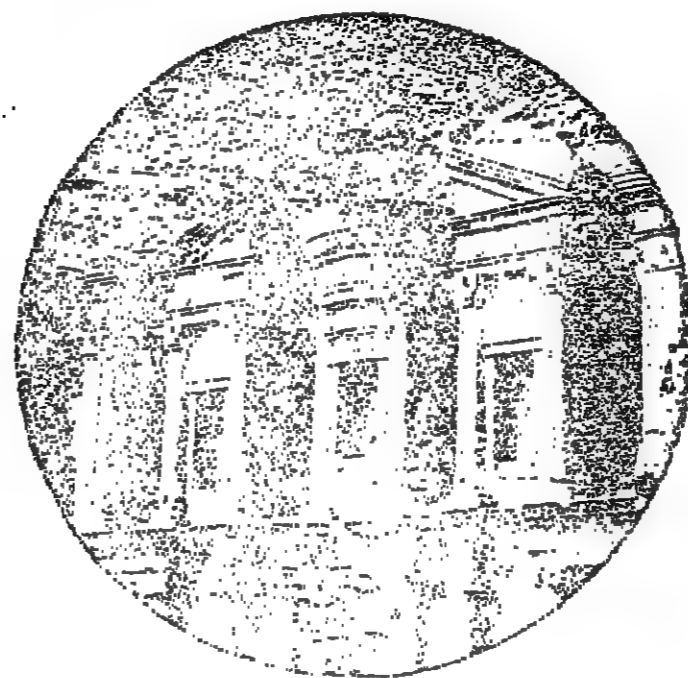
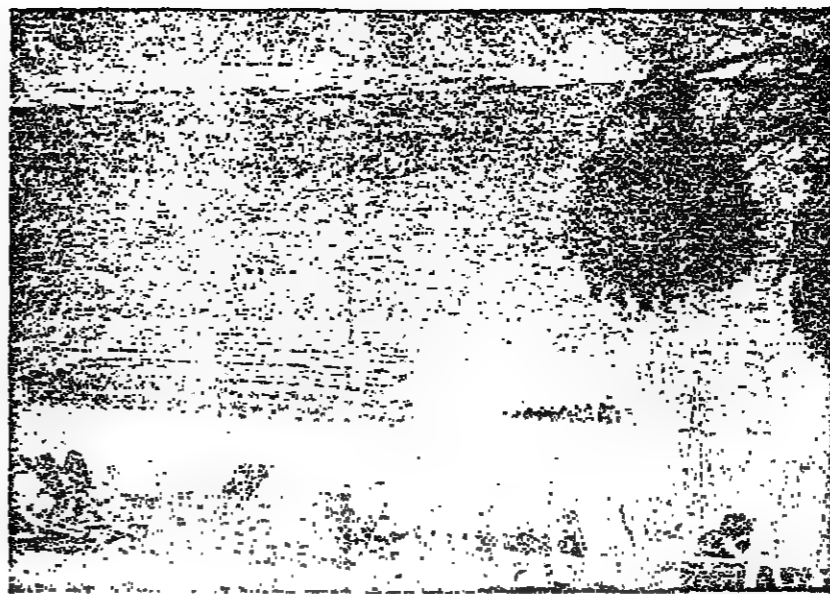
Some of the international hotels entering the field, such as Sheraton, Holiday Inn and Marriott, will probably have to bring in many of their staff until local training schemes are able to carry the burden of providing skilled workers.

Rami Khouri

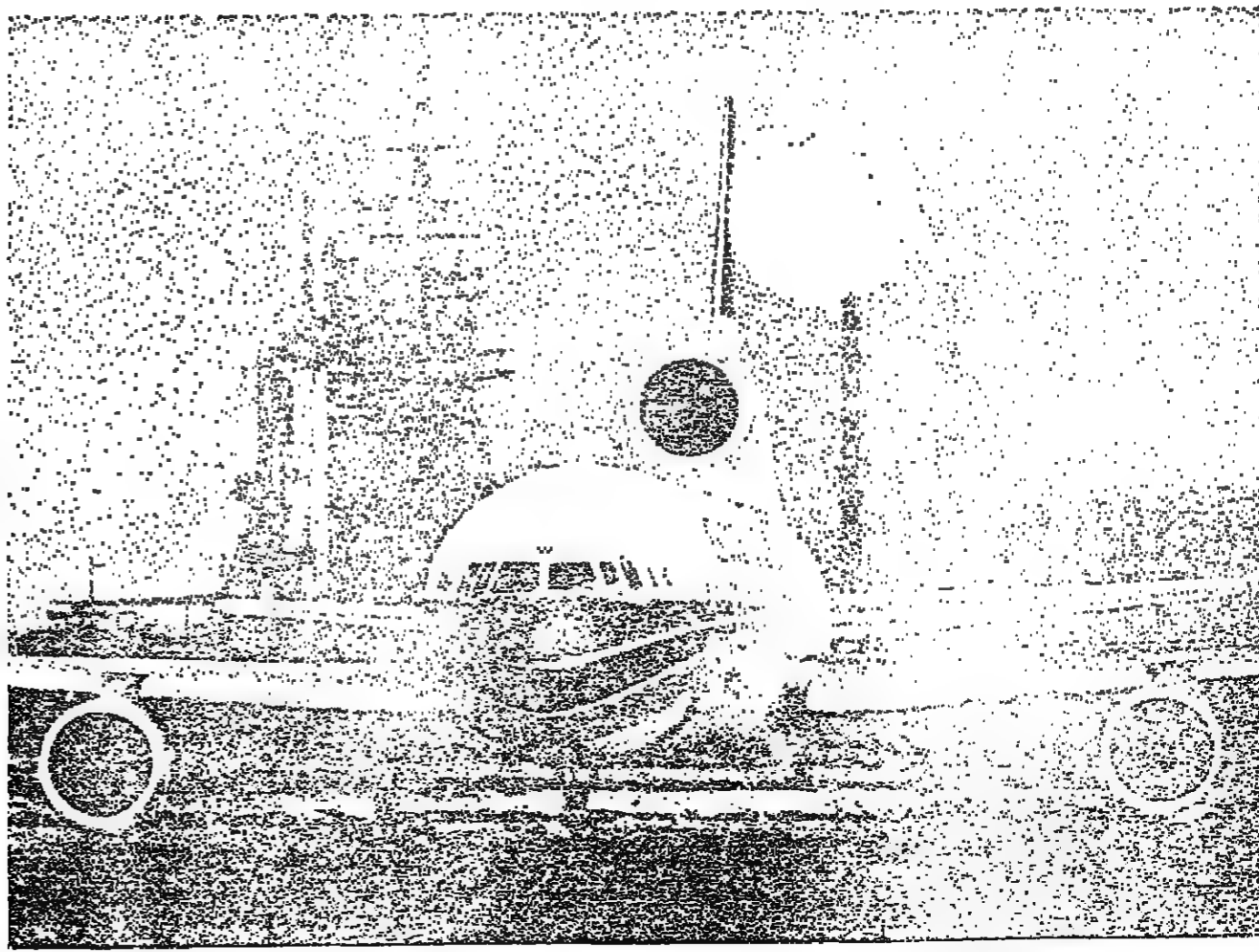
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## ARAB TRAVEL AND TOURISM VIII

## Tunisia

## The visitors flock in

UNTIL IT was overtaken two years ago by oil, tourism was Tunisia's biggest hard currency earner: for a country with relatively few resources, the Dh 139.4m brought in by tourism last year is appreciable and all points to a further development of this sector of activity in the years to come. At the same time, those in charge of this sector in Tunisia are trying to improve the amenities offered to tourists, attract them away from the coast and ensure that those who come do not simply spend all their time on the beaches but enjoy some of the sites away from the coastline.

Tourism has developed very fast in the past eight to ten years and too many tourists crowd into a fairly narrow strip of coast between Hammamet, south of Tunis and the city of Sfax as well as further south on the island of Djerba. Few go to the north, to the Sahara and not enough go to the many Roman sites scattered around the countryside.

Far too many tourists come in the crowded summer months despite the efforts the authorities have made to spread out the season. Yet the weather in Tunisia, the more so as one moves to the south, should attract more foreigners in the spring, from March, and in the autumn. In the desert the

winter months are the most pleasant.

The other concern, one which the authorities are less keen to talk about, are the social side-effects of the more than 1m tourists who visit the country every year.

Tunisia launched itself in earnest on to the international tourist scene in the late 1960s. The country badly needed all the foreign exchange it could get: it had to create jobs fast, no mean problem in a country where half the population is under 20 and where the level of education is, without doubt, high both in African and Middle Eastern terms. Furthermore, the emancipation of women has brought new demands for jobs, undreamt of a generation ago. Tunisia had the advantage of not being far from Europe, in physical terms, of having been in close contact with French habits and language during the time France colonised the country, from 1882 to 1956, and of having kept up these contacts after independence.

Independence came without much violence and the French presence left little resentment. The people are naturally friendly. The high standard of living in Third World terms and, until recently, the great political stability also helped. Tunisia has traditionally been a bridge between the Middle East

and the West and foreigners are always made to feel welcome.

The sun and sea formula developed at the turn of the decade worked well: apart from a slight slowing down after the oil crisis, the tourist sector has lived up to the hopes of its promoters and package tours have prospered.

the bad relations between Algeria and Morocco over the Saharan issue, which has led to the closing of the frontier between these two countries since 1975-76.

Visitors from the Middle East, particularly from the Gulf states and Saudi Arabia, are a greater novelty. Fifteen thousand came

provocative enough. For all the immediate benefits to be derived from this type of visitor, are the long term risks worth taking? At the official level, the answer remains an enthusiastic "yes."

Important decisions concerning in particular the type of new hotels to be built will have to be taken in the next few years. Access from Europe, North America and the Middle East by air is good; all Tunisians speak Arabic and most of them French while English is progressing fast, together with German. Telephone and telex services are good. The main beneficiary of this increase has been Tunis Air which carried 1.2m passengers last year, a sixfold increase in ten years.

The ancillary advantages of holding conferences in Tunisia include easily accessible Roman and Arab sites and old cities, some beautiful countryside ranging from oak forests cascading into the sea in the north at Ain Draham and Tabetha to the empty plains around the sacred city of Qairwan in the centre to intact Berber villages and troglodyte dwellings in the south. Oases remain a major attraction and so do the many beaches. Finally cooking is very good, despite the tourist invasion of recent years. A wide variety of craft products can still be found but quality is declining, except where good carpets are concerned. Good jewellery is very difficult to find.

The authorities are faced today with having to diversify the package they offer. The first wave of growth has proved satisfactory: now is the time to diversify away from the coast, which will be choked if much more development takes place. Inland roads are good but more small hotels need to be built. But of course, private investors who have taken much of the investment along the coast on to their own shoulders are less keen to move inland where the return on investment is likely to be lower than in the high density coastal area. And the state is not awash with money these days.

Then one has to attract Europeans with wider interests than sun and sea and a Club Méditerranée ambience. There is no easy answer. Yet the country, which tends to operate with one price for the locals and another for the visitor. Less easy to avoid is the general vagueness, and the difficulty in obtaining tourist information that is standard in many other countries.

But the oft-reported surly disarray among officials and hotel staff is rapidly turning into something more cheerful, if no less chaotic. The new state hotel school is producing graduates and progress is being made. Now could be a good time for investors to move in and for those travellers who want to see Syria more or less in its pristine state, time to get moving.

Paul Martin

Francis Ghiles

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## Syria

## Rich in historic interest

SYRIA should be inundated with tourists. Situated at the ancient and modern crossroads of three continents, it is endowed with a rich variety of archaeological treasures and Islamic shrines, a distinctive set of landscapes and a Mediterranean seaboard. And indeed, no casual visitor who has undergone his inaugural elbowing by the scrambling throngs at the souk-bazaars of Damascus or Aleppo, or been turned away

despondent from one hotel reception desk after another, can fail to be convinced that the country is thick with invading hordes.

Yet very few of the 1.4m people who visited Syria in 1976 (the last year covered by the official statistics) were tourists. More than 600,000 of them were Lebanese (many of them refugees) and only 147,000 came from outside the Middle East. Many of the latter were businessmen and expatriate workers, so there were not many genuine tourists. Rich Lebanese and visiting Arabs from the Gulf probably form the mainstay of the tourist industry.

In fact statistics suggest that fewer North American and West European visitors go to Syria now than in the mid-1960s—the legacy of the 1967-1973 period when, following the Six Day War, Syria became isolated and politically prickly. Hotels ran down, guides went out of business, and tourist officials became disheartened. In 1976 tourism made up only 3 per cent of GDP and employed only 2 per cent of the work force.

But since the October 1973 Arab-Israeli war Syria has gradually become more open to outsiders and to the west in particular. The government of President Hafez Assad is relatively stable and is aware of the benefits that tourism can bring to a fairly slow-growing economy which needs to provide jobs for the increasing population. It wants to encourage more investment, including foreign investment, in tourism, and has been interested by the prospects held out to it by a firm of French consultants, who envisaged 3.5m visitors coming to Syria a year by 1990, and even (though this seems out of reach now) 2.5m by 1980.

But to implement the plan would require the creation of a new tourist infrastructure including not just hotels but training, promotion, advertising, tourist offices abroad and so on. In 1976 there were only 18,000 beds in all the country's hotels, very few of them of international standard: the consultants reckoned that 39,000 new beds would be needed in new hotels and a staggering 97,000 in motels, holiday villages and villas. This would involve a major upheaval in the present tourist patterns: Damascus, which now accommodates three-quarters of all visitors, would fall to second place, and the northern city of Aleppo to third, well behind the presently undeveloped coastal region on the Mediterranean and the mountain resorts in the west.

The report envisaged that the greatest expansion would take place in "estivage" tourists—Arabs and others seeking relief from Syria's cool, forested hills from the sweltering summers of the Gulf. With rival Lebanese attractions out of favour because of the current crisis, Syria's three major estivage resorts—one near Damascus, two in the north-west—are already being chosen. It also foresaw rather dirty beaches, mediocre night life and East Mediterranean pollution it is not yet coastal, where in places the mountains sweep right down to the sea. Here two long stretches of unspoiled beach are seen as

ideal for villas and villages. (Unfortunately the consultants failed to appreciate that one of these beaches has black sand, which scorches the feet in summer.)

But it may be that the western tourist will be drawn to Syria more for its historical and archaeological attractions, which are superb, and include Damascus itself, with its souk and the Omayyad mosque; Aleppo, a golden city dominated by its magnificent Islamic citadel; and countless classical, Arab and Crusader remains, including the city of Palmyra in the desert, the Roman amphitheatre at Bosra in the south, the castle of Krak des Chevaliers, and the delightful old city of Hama, with its immense water wheels lifting water out of green Orontes. Syrian officials hope that they can attract visitors to a string of ancient cities along the Euphrates, while the new Russian-built dam at Tabqa is the pride of modern Syria.

Yet just how far Syria really wants to go in developing tourism at this stage is uncertain. The fact that it has to devote more than a quarter of its expenditure to defence is a drain on finance, while westerners tend to be scared away by what they perceive as the general instability of the region, irrespective of whether there is a real danger of renewed conflict. It may well be, as a doctoral thesis by Dr. Alan George concludes, that unless the political situation in Arab world becomes calmer Syrian tourism cannot boom.

## Capacity

In the meantime Syria's capacity to take more tourists is being increased. The most urgent need is for better hotels. The Syrian government has committed itself to large scale building projects in conjunction with western Arab capital, keeping financial control but leaving the running of the hotels to professionals. A Sheraton opened in Damascus this month; the Meridien has been going for two years, and others are planned for Aleppo and Latakia, while one is soon to be completed at Palmyra. With other hotel projects in hand, 1,500 desperately needed beds should be added at the top end of the market.

But it is in the middle range category that the most urgent need is felt: what few hotels of this type there are—in the towns and villages outside the main centres—are not usually up to the standard most western visitors would accept. The government is trying to encourage the private sector to invest in constructing and equipping them (or even renovating old ones) particularly in partnership with foreign (usually Arab) finance. Tax and customs incentives are being offered. The Government, which has allocated (\$525m) for tourist development this year, claims that such schemes will provide an extra 5,000 rooms by 1980. On the Mediterranean Latakia is being improved, but with its rather dirty beaches, mediocre night life and East Mediterranean pollution it is not yet coastal, where in places the mountains sweep right down to the sea. Here two long stretches of unspoiled beach are seen as

Syria is sensibly not overselling its long term plans; it is

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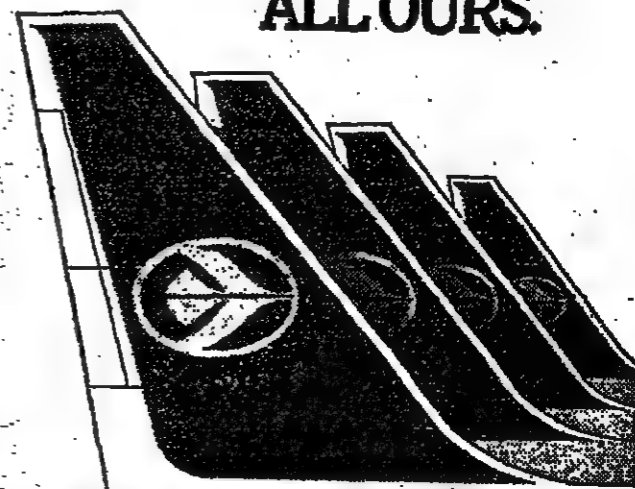


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# The French take the lead

THE FRENCH have borrowed an idea from the U.S. space programme for Europe's most ambitious industrial project. To assemble their Space Shuttle, U.S. aerospace engineers have a 525 feet tall "temple" called the vehicle assembly building, close to the launch pad. The French nuclear engineers have built their own huge reactor "temple" called the Creys-Malville fast breeder reactor.

At Creys-Malville on the bank of the Rhone between Lyons and Geneva, in a picturesque region once rich by glaciers and well stocked with medieval castles, a modern tower is climbing steadily skywards. It is the cylindrical concrete container for the Superphenix, a 1,200 MW fast breeder reactor. Encircled by cranes, the concrete ring is already half-way towards its final height of 270 feet.

In January the French reactor design team, led by Jean-Claude Leny, director-general of Framatome, the French reactor design and construction group, believes that as much as 20 per cent of the country's nuclear electricity could be coming from FBRs by the end of the century. Eventually—perhaps by 2020—France will be building only FBRs, he says.

Meanwhile it is stressed that Creys-Malville, although the first of its kind, is no experiment but a project designed to provide an assured supply of power for Electricité de France. It is a 5,330m (about \$870m) investment shared by three utilities—EDF, ENEL in Italy, and RWE in Germany. These utilities will provide about 30 per cent of the cash. The rest is being raised through loans from Euratom (EEC), the European Investment Bank, and various other institutions including the French Government.

The technology of the Creys-Malville reactor is exclusively French, derived from the very

successful 250 MW Phenix demonstration, begun at Marcoule after Britain's prototype fast reactor at Dounraey but brought into operation before it. Two years of unprecedented performance, for a prototype plant, convinced the French that with Phenix they were on to a winner. By the spring of 1977 they were ready to extrapolate five-fold in size—a much smaller scale-up incidentally than the 15-fold extrapolation from their Rapsodie experimental reactor

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to Phenix. Still more significantly, they had worked out an industrial infrastructure to undertake the levitation—and very complex—project.

Creys-Malville is an international venture, with considerable participation by German and Italian industry. A consortium called Nersa, managed by a triumvirate of French, German and Italian directors, is customer for the plant. Shareholdings in Nersa are 51 per cent EDF, and 33 per cent ENEL, with the balance held by a German-Belux utility consortium called SBK (in which Britain's Central Electricity Generating Board has a toehold).

Nersa has placed a turnkey contract for the reactor itself

—the nuclear steam supply system—with a French-Italian joint venture called Novatome. This brings together the main groups in these two countries developing the FBR (see accompanying table). Their contract, worth about FF 2,500m (over \$300m), represents nearly half the total investment expected at Creys-Malville.

The Rhone is not navigable beyond Lyons, so Nersa is planning to have many of the bigger and heavier sub-assemblies fabricated on site, right alongside the reactor vault. (This was also the way Phenix was built.) A cathedral-size workshop clad in aluminium was erected within 12 months of Nersa placing the reactor contract. This workshop, substantially bigger in area than a football pitch, has headroom of over 100 ft under the hook of an 850-tonne travelling crane. It is unheated but they plan to put "tents" around the individual projects when needed and blow warm air about the craftsmen.

Already major components are taking shape, including the heaviest—the 850-tonne roof slab for the reactor. This is being built from a dozen prefabricated segments, half made by Breda in Milan, half by Neyrpic in France. The procurement policy of Novatome-Nersa is to place contracts involving transfer of France's exclusive FBR technology with French companies only. Italian and German companies are awarded only contracts involving no technology transfer. Overall, the value of contracts is distributed nationally roughly in proportion to the shareholdings of the three utilities.

The first big reactor sub-assemblies to leave the workshop, in 1980, will form the

"pot"—the two great vessels, Naegon, in charge of international relations for Novatome. But it is mainly a "software" cost, he contends—the cost of reaching decisions more slowly than the project hits trouble. "You can't bring the same pressure to bear on a foreign industry."

In 1981 Novatome is expected to lay two new FBR tenders before Electricité de France. One will be for a single reactor, Superphenix 2. The other will be for a series of twin-reactor stations, two or three of them to be started at two-year intervals. Design of Superphenix 2 will start next summer, and this end Novatome is already isolating areas where it believes major savings in cost might be made compared with Creys-Malville. In particular, it is examining ways of shrinking the main reactor components to obtain greater output—perhaps reassembled on site before transfer to the primary vessel.

Assembly of the Superphenix reactor begins in January, and is scheduled to continue for nearly three years before engineers are ready to bolt on the 400-tonne dome and pronounce it ready for testing. They are allowing "just four months longer for reactor assembly than Phenix required. When fuelled and sodium-filled, some 8,000 tonnes of the most advanced engineering to be found anywhere in Europe, packed into a great steel ring about 70 ft across. This will be the furnace for 1,200 MW of electric power.

The French are no strangers to joint nuclear ventures. They already share plants with Belgium and Spain, while five of the nations are collaborating to build the uranium enrichment complex at Tricastin. International collaboration certainly adds to the cost, says M. Jacques



Circular reactor vault for the world's first commercial fast breeder reactor at Creys-Malville

figure compares with a total of \$365m allocated by the Government of France, Britain, Germany, Italy and Belgium this year.

Britain, which conceptually has followed the same path as the French, has decided that it must hold a public inquiry into plans for building its first big FBR, probably preceded by another inquiry to establish whether it needs FBRs at all. Germany, with no prospect of seeing power from its demonstration FBR at Kalkar in under 11-13 years from starting construction, is now bemused by political proposals that it should be redesigned as a quite different kind of reactor.

As the French see it, interruptions of the kind Britain, the U.S. and Germany have experienced have two very serious consequences. They push up the cost rapidly (Creys-Malville, they claim, will provide power at a price per kilowatt within the same bracket as France's other nuclear stations); and they increase the risk of something going seriously awry because vital expertise has been lost or overlooked. "People say it is bad to go too fast but the way to keep it safe is to have a continuity of effort on the safety problems," says M. Vendryes.

In one respect France may appear to have heeded the call for caution made by the U.S. Administration, which this summer expressly asked nations pursuing the commercial FBR for their own requirements to show restraint in trying to export the technology. France was, but is no longer, trying to market a small FBR based on the 250 MW Phenix. But the another inquiry to establish whether it needs FBRs at all, do with nuclear weapon proliferation. Why should anyone who wants a plutonium bomb for such a complex and expensive technology, Mr. Vendryes reasons, when much simpler reactors can produce plutonium much faster? The reason is simply that as a commercial product they now believe Phenix should be redesigned. And Novatome's design staff is locked up fully on full-scale FBRs.

## Letters to the Editor

### A monetary system

From Mr. D. Thomas

Sir—I simply must correct an attitude reflected in Samuel Brittan's column of October 6 and 7, "Explaining the Labour column," in the *Financial Times* of October 10. He suggested that the creation of an essentially flexible European monetary system would amount to nothing and then implicitly supported this argument by asserting that even in a flexible system the currencies of the "virtuous" few would continue to be particularly favoured.

My comments are two. As a strong currency country, interest in some European currency unit has always implicitly demonstrated something in fact gained merely by limiting or eliminating exchange rate adjustments that go beyond levels justified by relative money growth. Germany has always been plagued by a currency that has tended to appreciate excessively over its own country in 1978 and the U.S. over the past few quarters. Have seen their currencies depreciate beyond levels that are relative money justified. Such non-neutral exchange rate changes impact real economic shocks that must be painfully dealt with by the authorities (witness U.S. inflation now).

Thus, the supermark will represent a clear advance if it can be characterised as a better flexible system than floating.

Given that it can maintain exchange rate neutrality, the implied satisfaction of the proportionality conditions of purchasing power parity and interest rate parity will make any rigidity of the system a good substitute for any other. D-marks will not be superior.

I think an EMS can make a major contribution to the stability of the international financial system but only if it is essentially flexible. I think the system could be greatly strengthened by Britain's membership. Mr. Brittan's position that the flexible rate system cannot be improved, along with his quite correct idea that an essentially fixed-rate system is not feasible, wrongly shifts attention and emphasis and may help keep the UK out.

David Thomas  
21, Rue du Bourg-Tibourg,  
Paris 4.

### Control of wages

From Mr. A. Ferguson

Sir—Nearly everyone seems to accept that Government control of wages is here to stay and without it a subsequent wages explosion would be more than the country could stand.

On the other hand, one just questions whether the Government can control incomes for the any length of time, not only whether it ought to. So far it has been fairly successful and would have been more so if companies themselves had not used every device to get round income policies—but such is human nature, whether collective or individual. It will be extremely interesting to see the outcome of the agreements to come in the public sector and whether the Government can hold the pay line here.

If the Government cannot control incomes, would it be able to control prices? Being a real chicken and egg situation, it is just possible that a real crack down on price control may be more effective than wages control. If prices were stable then extra money for wages, etc., would have to come out of real

productive improvements or shareholders dividends. It could produce interesting consequences that may make profit sharing and participation matter more meaningful. After all, if firms could set real shop floor cooperation without strikes, then management and shareholders would go a long way to share the rewards that would go with this changed attitude.

In the longer run, it is quite impossible to see just how the Government can control relative wages of different parts of the economy within all industries without letting the wages cork out of the incomes bottle. It is perhaps the wrong control. Equally, there seems no case at present for trying to cater for both the chicken and the egg and this would be a strong form of control that would hardly be fair to the private sector.

The other way of approaching the problem would be to nationalise or at least rationalise the unions. A real sort out of representation would be very helpful. After all, if wages negotiation is to be by Government decree, the union may as well back it in and become part of the Establishment. It is unfortunately still essential to have some form of representation, particularly in large firms, but it should represent the people against the industry done by management and should also be part of the consultative machinery that helps corporate industrial policies down the road. If industrial courts handle all disputes that cannot be settled internally, then there would be less need for unions in their current form. As a consequence, perhaps industry could get on with the job and make more real money for everyone.

A. J. Ferguson  
4, Burs Court, Marine Parade,  
Dunstable, Devon.

### The English vineyard

From Mr. B. Coulson

Sir—As an associate member of the English Vineyards Association I was most interested in Lynton McLean's article on "English vineyards" (October 27). Although the subject of government and bureaucratic indifference to our small wine industry rightly raises feelings amongst growers we should not allow that difficulty to mask the potential that exists for a serious and expanded industry over the longer term.

The amount of acreage under vine could undoubtedly be much expanded given the right incentives. We may be a small island but a rise from the current 800 acres to 8,000 acres does not beggar belief in relation to the 41m acres of farmland in the UK, not all admittedly in Southern England. As regards the weather (October 27), the rainfall figures quoted by Mr. McLean are comfortably within the average figures for the South. The incidence of damaging frost in both the beginning and end of the growing season is thankfully rare, and hail, the bane of Burgundy and Bordeaux, even rarer.

The problems of the current vintage, caused by the poor summer weather, have been shared by all European growers. The impact of a short crop on our production will however be more dramatic due to the smallness of our industry. After the year of the driest autumn for twenty years however there must be a fair chance that what is finally produced will be of excellent quality. It is in the end the question of quality that

will determine the industry's future and no less an expert than Michael Broadbent considers that in its price range English wine is at least as good as any other Northern European wines.

As a nation we are desperately short of new industries to stem the rising tide of imports and unemployment. Could not a steadily expanding vineyard industry play a modest part here if government would start being more helpful?

B. M. J. Coulson  
5, Broadrick Road,  
S.W.17

### Bank staff unions

From the National Union of Bank Employees Assistant Secretary (Midland Bank)

Sir—It is disappointing that Mr. Westhead (October 26) appears to dismiss the recommendations made by Dr. Johnson in his study of staff representation and negotiating procedures in the major London clearing banks.

In his unbiased analysis Dr. Johnson highlights the fact that the Association of Scientific, Technical and Managerial Staffs has failed to attract membership among bank staff outside Midland Bank, and within Midland Bank its membership has declined from 10,000 to "at most" 6,000. In contrast he notes that the National Union of Bank Employees has significant membership in all the major banks and a Midland Bank NUBE's membership has increased from 10,000 to 12,500 over the same period. This trend continues, and NUBE now has 15,000 members in Midland Bank, and Mr. Westhead at a recent meeting with the central arbitration committee conceded its current membership position is 4,500. On the basis of this evidence, bank staff faced with a choice of TUC affiliated unions clearly prefer NUBE.

I am sure all bank staffs wish to see an end to divided staff representation. NUBE certainly does. We are, therefore, giving detailed consideration to Dr. Johnson's report and without committing NUBE to any of his proposals, the report and recommendations should be welcomed as a genuine attempt to bring all the parties to the negotiating table, to seek a mutually acceptable way forward.

Hedley Woods,  
Sheffield House,  
Portsmouth Road,  
Esher, Surrey.

### Regional dialects

From Mr. H. Faulkner

Sir—How splendid to find someone of the eminence of Lord Snow saying in your columns "I shouldn't consider it a loss if most of our regional dialects disappeared overnight" (October 21). How much longer must our teeth be put on edge by the way the language is mangled by people who ought to have had training in elocution before being given the freedom of the air?

H. Faulkner  
21, St. Peter's Crescent,  
Bicester, Oxon.

### North Sea oil

From Mr. A. Macgregor

Sir—Elizabeth Young (Oct. 19) suggests that both a politician and a businessman have a Kildare Court, nationalising North Sea oil, I Kildare Terrace W2

think most people do. The oil reserves were state-owned and therefore nationalised in the first place. The whole development of the area was a Government and therefore nationalised undertaking. The question is whether we should re-nationalise the oil or its associated wealth?

The oil was, and is, a nationally-owned asset of potential wealth to the nation. The Government has specific responsibility on behalf of the taxpayer to retain and transfer as much of this potential offshore wealth as possible onshore, to the nation. The ratio of wealth retained by the nation to the original potential wealth is the only measure of the efficiency of the nationalised industry called government.

For purposes of improving the efficiency of the transfer of wealth the Government may employ the services of private or foreign industry. The operating oil company is therefore in the role of sub-contractor to the operating company, the Government. The businessman has responsibility to transfer what share of the wealth he can to his shareholders and is therefore, by definition, in direct competition with the Government for the wealth. The principles of free enterprise dictate that each party will receive benefit in proportion to the skills, resources and productivity they employ. The arrangement is voluntary and should be continued as long as both taxpayer and shareholder receive mutual and proportional reward from it.

The Government has three advantages. Initially, it owned the assets at no cost. It lacks financial accountability and it can change the rules as the play progresses. What perhaps the nation would like to know is how well is our national team doing in the competition against private industry? The fact that it is threatening to re-nationalise wealth that was its own to start with does not augur well in fact, it suggests that its efficiency of transferring wealth to the nation is less than it should have been.

The businessman and politician are both motivated towards short-term gain, because this is what the system demands for their self-survival. Mr. Young appears, in common with most taxpayers and shareholders, interested in long-term wealth. It is the paradoxical differences of objectives which give rise to the apparent misunderstandings. Until however, we devise a system of accounting for national wealth, and a Government responsible to it, these differences will remain.

With nothing but personal experience to guide me, I feel we should let oil companies extract the oil and let Government extract the maximum possible revenue consistent with optimum depletion, or maximum transfer of wealth to the nation. I believe that the relative efficiency of each party at their own skills will ultimately best benefit the taxpayer.

It is only the relative inefficiency of nationalised industry that stops nationalisation retaining the wealth of the oil. As the reserves deplete, the case for nationalisation will strengthen.

A. T. Macgregor,  
misunderstood the need for a Kildare Court, nationalising North Sea oil, I Kildare Terrace W2

## Today's Events

### GENERAL

State opening of Parliament with Queen's Speech on new session delivered in House of Lords at 11 am—debates on the proposed European Monetary

National Economic Development Council meets (9 am)—Ministry of Overseas Development's contribution to the Industrial Strategy and a progress report on the Warner Report on Standards.

Mass meeting of Vauxhall Motors' Elmsmere Port Workers on strike threat.

British Oxygen pay talks resume.

Mr. Edward Heath, MP, guest speaker at International Chamber of Commerce dinner, Quaglin's, Bury Street, SW1.

Herr Helmut Schmidt, West German Chancellor, meets Sig. Giulio Andreotti, Italian Prime Minister, for talks in Sicily on the proposed European Monetary System.

Trustee Savings Bank issues first credit cards—Trustee in affiliation with the Visa International organisation.

Cutlery and silverware industry statement on future prospects. Introduction by British Caledonian of cheap £31 single off-peak fare between Gatwick and Glasgow and Edinburgh—the airline also begins new scheduled service from Gatwick to Benghazi.

Increases of between 2 and 10 per cent in some UK-North Atlantic air fares.

Townsend Thoresen half-price scheme for short motor trips abroad comes into operation.

Seventeen countries expected to attend Iraqi-convened summit meeting in Baghdad to discuss ways of countering the Camp David peace agreement.

Japan's presidential elections. Tokyo.

UK and U.S. officials continue talks in Washington on more liberal rules for air cargo and charter flights.

Russians and Norwegians in Oslo talks on the regulation of Barents Sea capelin and Norwegian Arctic cod.

Announcement by British Broadcasting Corporation on complete dramatic works of Shakespeare. Mr. Michael Foot, Lord President of the Council, gives luncheon lecture on Hazlitt at Museum of London, EC2, 11.10-1.45 pm.

London Chamber of Commerce export finance discussion group

meeting, 69, Cannon Street, EC4, 10.15 am.

Sir Peter Vaneek, Lord Mayor of London, attends luncheon with Shell Transport directors, Shell Centre, NE1.

Carbonisation Science Lecture by Mr. E. N. Summers, Royal Institution, 21, Albemarle Street, W1, 2.30 pm.

Royal Society for the Prevention of Cruelty to Animals conference on animal experiments, Zoological Society, Regents Park, NW1.

COMPANY RESULTS  
Final dividends: Equity Income Trust, Interim dividends: Allied Irish Banks, Carriers Superfoods, London Trust, Pritchard Services, Shirls Spinners, Interim figures: Stula Holdings.

COMPANY MEETING  
Thornorton Secured Growth Trust, 25, Milk Street, EC. 12.30

## How much of your business are you planning to bequeath to the taxman?

If you run a business, then you've already learned it can be rather like running a gauntlet. A gauntlet of different taxes.

If you feel you've earned the right to a good income, then you'll have to pay the highest personal taxes in Western Europe.

If you keep the money in the business then corporation tax will get you.

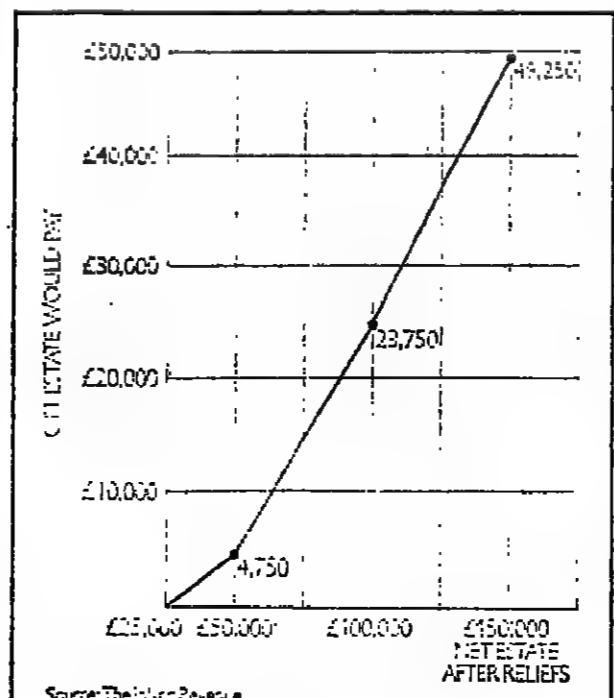
Nevertheless, you may succeed in running the gauntlet.

But even if you do, waiting at the end with bludgeon raised, is Capital Transfer Tax. Able to destroy your life's work rather than allow you to leave it to your heirs.

If you feel reluctant to face this final blow, don't worry. Because the tax system gives you opportunities as well as problems. If you have the right advice, your heirs can keep much of the money that might otherwise go in Capital Transfer Tax, and without crippling your business.

You'll be pleasantly surprised what can be done through our Business Assurance schemes. After 134 years of successful money management, we know exactly how to make the most of your money, despite Britain's ever-changing tax regulations. You'll find, too, we can help you to run the gauntlet more profitably.

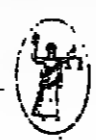
Call your financial adviser now, and see what can be worked out for you. Or, contact any of our offices direct. Don't delay. You're not getting any younger.



Source: The Inland Revenue

The amount of capital transfer tax payable on estate.

## Equity & Law



Equity & Law Life Assurance Society Limited, 20 Lincoln's Inn Fields, London WC2A 3EE.

# COMPANY NEWS

## Reed Intl. UK side hit in second quarter

AFTER reduced interest charges, profits before tax of Reed International for the second quarter of 1978-79 were £18.6m against £18.9m, with the total for the six months to September 30, 1978 amounting to £40.1m compared with £38.4m in the same period last year.

Operating profits in the second quarter of £26.2m (£28.8m) comprise a downturn in the UK—£12.5m (£17.1m)—and £13.7m against £11.7m from overseas.

Meanwhile the Canadian subsidiary, Reed Paper, has reported its first profitable third quarter in two years with net earnings of Can\$3.3m or 13 cents per common share after extraordinary items. In the same period last year, the company incurred a net loss of \$9.1m or 33 cents a share.

Reed International's UK operating profit reported for the quarter and the half-year has been reduced by a provision of £3.2m which represents the cost of repatriating part of the proceeds of the sale of Reed Nampak through the Securities and Investment Commission (SIC) in connection with the future cost of net interest payable on loans of DM54m raised for the original purchase of Reed Nampak.

The sale proceeds included DM54m which have been used to purchase Deutschmark securities with similar maturities to the loans but carrying lower interest rates.

As previously indicated the Board has declared an interim dividend of 2p per £1 ordinary share against 3.555m absorbing £3.3m (£6.6m). Earnings per share for the second quarter are

### HIGHLIGHTS

The half-time figures from Reed International represent a mixed bag of trading experiences. There is a recovery in Canada but some provisions depress the overall profits and pre-tax profit is ahead from £39.4m to just £40.1m. Hepworth has come up with some good figures showing pre-tax profits for the year 47 per cent higher on a sales volume increase of a tenth. Lex also considers the effect of the halt in production of Iranian oil on the world's oil companies. Elsewhere Avana continues to drive ahead—interim profits are up 80 per cent. Bamber's, the store group, is also painting a buoyant picture, and Linread has made a full recovery. But at Polymark margin pressures at home have slowed profits growth and Graig Shipping is fighting to keep afloat.

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## Upsurge for Bamber's—interim doubled

MORE THAN trebled profits for the half year, a doubled interim dividend and a forecast of the year's profits well in excess of the £1.26m achieved in 1977-78, is the news for shareholders in Bamber's Stores, formerly known as Vernon Fashion Group.

Including £130,833 surplus on disposals of properties, against a £5,527 loss last time, profits for the half year ended July 29, 1978, have shot up from £203,489 to £839,007.

Turnover advanced by £2.8m to £6.8m; and the rate of increase has also been matched during the second half to date.

The group makes and sells ladies' and children's wear. So far this year it has opened a further 35 stores, all of which are trading profitably. An additional 15 are due to be opened by the year-end, which will bring the total to 140.

Earnings have risen from an adjusted 2.16p to 6.77p per 10p share, and the interim dividend has been doubled to 1.26p from 0.63p.

Also proposed is a one-for-two scrip issue, which will give the company trustee status. The new shares will rank for the full dividend.

After a dramatic expansion in the provinces, Bamber's will be tentatively taking London as its medium to lower priced range of women's and children's wear, when it opens stores at Hamersmith and Wandsworth last year.

The group expects to open by the end of this year to take the total number operated to 140. The growth in the number of stores is part of the expansion behind the expansion in profits but it appears that the group has also benefited from a strong recovery in consumer spending within its target market.

On the figures available to date they feel a break-even situation should occur for the retail side, and they say that manufacturing profit contributions continue to increase.

After tax £195,334 (£226,589) earnings are shown as 9.17p per 10p share compared with 7.32p and the dividend payment is unchanged at 2.16p net.

The company is a manufacturer, wholesaler and retailer of hi-fidelity sound equipment.

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### DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding year	Total last year
Aberdeen Trust	2.1	Dec. 23	2.1	4.55
Audio Fidelity	0.65	Jan. 5	0.65	1.30
Avana	1.43	Jan. 3	1.43	2.86
Bamber's Stores	1.26	Jan. 3	1.26	2.52
John Beales	1.15	Jan. 3	1.15	2.30
Border and Southern	0.1	Jan. 3	0.1	0.2
Empress Services	0.1	Jan. 3	0.1	0.2
Graig Shipping	0.1	Jan. 3	0.1	0.2
Hambros Inv.	1.1	Dec. 15	1.1	2.2
Hensher	1.82	Dec. 6	1.82	3.64
Kinta Kellas	0.5	Dec. 6	0.5	1.0
Lake View Inv. Trst. Int.	1.5	Dec. 11	1.5	3.0
Linread	1.5	Dec. 11	1.5	3.0
Wm. Low	4.46	Jan. 4	4.46	8.92
N. Atlantic Secs.	1.87	Apr. 6	1.87	3.74
Polymark	1.32	Jan. 9	1.32	2.64
Reed Intl.	0.63	Jan. 9	0.63	1.26

Dividends shown pence per share net except where otherwise stated. For scrip issues. On exchange basis. For additional increased by rights and/or acquisition issues. \* Plus additional 0.0255p now payable. \* Gross throughout. \* Total unlikely to be raised by as great a percentage.

## Polymark sees peak for year

FOR THE first half of 1978 the directors of Polymark, a national retail chain, have forecast a peak in turnover ahead of £5.8m to £7.5m and a rise in pre-tax profits from £400,000 to £432,000. Profits for the whole of 1977 were a peak £448,000.

They add that the second half of the current year has started satisfactorily, with activity well above the corresponding period last year, and are therefore confident of further significant growth for the full year.

The attributable balance came out at £211,000 (£171,000) after tax £210,000 (£228,000) and minorities £3,000 (£5,000). The interim dividend is up from 1.82p to 1.52p a net per 10p share and absorbs £82,000 (£74,000).

First-half profits do not include any exchange profit on consolidation amounting to some £80,000, resulting from conversion of assets and liabilities of overseas subsidiaries at exchange rates

which has been waived in respect of 2.31m shares.

Turnover for the first half of 1978-79 was £5.8m compared with £5.2m in the same period last year. Pre-tax profits were £400,000 against £368,000 last year.

Dividends

Dividends

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## Hepworth's 47% profit rise

RECORD SALES and profits are reported by J. Hepworth and Son, multiple tailor, for the year ended August 31, 1978.

Principally as a result of increased sales of its traditional merchandise together with extensions to its product range, pre-tax profits jumped 47 per cent from £35,500 to £52,300, with £27,800 against £20,800 arising in the first six months.

Turnover, excluding VAT, rose 22 per cent to £42,62m, and since the year-end has continued to be buoyant and shown a 23 per cent increase over 1977-78.

Mainly due to reduction in stock held claimable this year, the 1977-78 UK tax charge was higher at £2.5m compared with £0.88m last time.

After minorities of 15,000 (nil) and extraordinary profits, £20,43m (£2,200,000), arising from property sales, the attributable sales was down from £3.8m to £3.6m.

Stated earnings, before extraordinary items, are 6.55p (£1,330,000) per 10p share, the first half fall, and taking the year to the maximum permitted 2.54p net absorbing £1.04m (£0.03m) with a 1.82p final.

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## AVANA GROUP LIMITED INTERIM STATEMENT

Unaudited results—26 weeks ended 30th September, 1978	26 weeks ended	26 weeks ended	52 weeks ended
	ended 30.9.78	ended 30.9.77	ended 30.9.77
Sales (less inter-company transactions) ...	15,846	13,892	29,612
GROUP PROFIT—before tax and depreciation and taxation ...	1,893	1,058	2,888
GROUP PROFIT—subject to taxation ...	1,410	769	2,340
CORPORATION TAX—at 52% (£25%) ...	733	400	1,208
DIVIDENDS:			
Interim ...	133	102	102
Final ...	(6.5p per share)	(5p per share)	(5p per share)
Final ...			(5.88p per share)
SHARE AND CAPITAL RESERVES:			
Issued Ordinary ...	1,023	1,023	1,023
Issued Preference ...	150	150	150
Capital Reserves ...	2,531	2,531	2,531
Revenue Reserves ...	3,113	1,932	2,569
	6,817	5,636	6,733

The Group continues to benefit from past investment decisions and has drawn full advantage from its ability to innovate both method and product at the top end of the market. The Group has noticed a very distinct trend towards product upgrading and believes that this can only prove to be beneficial to those manufacturers willing and able to respond to it.

Over the half-year sales have increased by £2,263 million or 13.1% with only 1/10th of the increase being attributable to price increases since the start of the financial year. Profits, subject to taxation, are up by 83% reflecting the benefit of higher volume sales on net margins combined with better product mix and better all-round control of operations.

The performance in all factories continues to improve and our progress has been aided by more stable raw material prices stemming primarily from the weakness of the U.S. dollar.

A major re-equipment has been embarked upon at Rogerstone to develop new lines of production where there are assured markets and certain success.

The Leicester factory has a full catalogue of new products many of which will be introduced to our customers over the winter period and where again we are certain that the success rate will be high.

Fruct, fruit, continue to progress particularly with the dairy trade in spite of the relatively poor summer. There is tremendous growth potential still to be obtained where the consumption per capita in the U.K. lags far behind that of other E.E.C. countries, Scandinavia and North America. Our De Orea brand has national distribution and continues its remarkable growth.

Avana Bakeries are enjoying their best year ever and the re-equipment which has taken place at Cardiff is reflected in an improved level of profitability. Expansion of this factory is planned for the New Year.

Avana Meat Products continues to progress and is expanding its share of the market with its Fleur de Lys range of pies and pasties.

Our overseas subsidiary has made a significant and increased contribution to group profits.

Subject to unforeseen circumstances the Board takes an optimistic view of trading prospects in the second half of the financial year and feels that there is every reason to anticipate that the final profit return will record a further period of growth. The business is becoming less seasonal and the profit increase reflects some degree of equalisation between the two half-years.

The capital investment programme has continued apace and must support an increasing level of profitability and further secure the future earnings potential of the group.

The dividend policy is being reviewed and the distribution for the year will reflect the foreseen higher level of earnings. The Board proposes to pay an interim ordinary dividend of 6.5p per share against the comparable payment of 5p per share last year.

The dividend will be paid on 3rd January, 1979 to all shareholders on the register on 27th November, 1978. The share register will be closed from 27th November to 4th December, 1978.

Avana Buildings, Pendryis Street, Cardiff.

By Order of the Board, T. H. J. BARRETT, Secretary.

31st October, 1978.

31st October, 1978.

31st October, 1978.

## £0.36m by Audio Fidelity

DESPITE a second-half advance from £250,000 to £259,000, profits of Audio Fidelity finished the April 30, 1978 year down at £240,207 against £427,708. Turnover rose from £3.9m to £4.4m.

The directors state that results included losses incurred in closing five unprofitable shops and that very satisfactory 1978-79 interim figures can be reasonably expected.

On the figures available to date they feel a break-even situation should occur for the retail side, and they say that manufacturing profit contributions continue to increase.

After tax £195,334 (£226,589) earnings are shown as 9.17p per 10p share compared with 7.32p and the dividend payment is unchanged at 2.16p net.

The company is a manufacturer, wholesaler and retailer of hi-fidelity sound equipment.

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## Linread tops forecast but warns of slowdown

WITH A jump in pre-tax profits from £180,000 to £515,000 for the first half of 1978-79, Linread, maker of cold forged fasteners, has comfortably exceeded the forecast of around £400,000 made at the halfway stage, but the directors warn that a continuation of this level cannot be anticipated.

They say that order intake for the company's major division, commercial products, is below that of the second half of 1977-78 and, while not a forecast, they point out a profit level for the current six months more in line with the same period of last year is considered the best estimate.

At mid-year, profits were ahead from £14,000 to £139,000.

However, the company is well placed to take advantage of any upturn in demand, they now add.

Last year's profits were struck after an operating loss of £285,000 from its Australian subsidiary.

After adjusting for this non-recurring deficit, there was an improvement of £163,000 (36 per cent) in 1977-78.

Turnover advanced from £14.3m to £15.18m, and group earnings emerged at £234,000 (£180,000) after tax and minorities, but before extraordinary debits of £290,000 (£220,000 credit).

# Ellerman falls £3.3m after shipping losses

ELLERMAN MUCH higher charges in the shipping performance, group profits of Ellerman Lines fell sharply from £4.07m to £0.74m in the half-year ended June 30, 1978.

Mr. Dennis Martin-Jenkins, chairman, says that the difficulties of the year have been caused by the group's diversified interests. He does not foresee any recovery in shipping and transport in the second half but expects the shipping, travel and other operations to end 1978 considerably above last year's level of profits.

Pointing to the increase from £1.88m to £2.97m in finance charges the chairman explains that the group is still in the middle of a major investment programme particularly in container ships. He feels that the rewards of this action should be evident in later years.

The group's capital programme has been accelerated by the current severe shipping market, producing a loss of £3.3m in the second half. However the group has benefited from the diversification policy and the non-shipping interests have performed well, producing strong profits with few associated charges.

Turnover in the half rose up from £74.53m to £87.54m and profit from trading operations came through at £2.25m against £3.84m. Turnover included £2.54m from Tolemache and Cobbold Breweries and £1.94m (£0.66m) from Gold Case Travel which were acquired on September 7, 1977, and June 17, 1977, respectively.

The trading profit includes profit from sales of ships of £1m (£0.50m) and also reflects an exceptional sum of £300,000 as a provision for improved pension benefits.

The interim dividend on the £4.07m privately held equity is unchanged at 2.5p. The profit for 1977 was £7.53m.

At J. W. Cameron, the Hartlepool-based brewing division, profits for the first half of 1978 increased from £1.2m to £1.7m, reflecting higher sales (up from £18.1m to £18.5m) particularly in the free trade where several new outlets were added.

Plans are in hand at the Lion Brewery, Hartlepool, to invest £1.2m in increasing fermentation and maturation capacity.

The interim dividend is unchanged at 2.5p, the profit for 1977 was £2.25m.

In East Anglia, Tolemache and Cobbold another brewing offshoot made a pre-tax profit of £108,000. Changes in accounting policies and dates following acquisition by Ellerman make comparisons difficult but there is a fall in the £172,000 in the same period of the previous year. Turnover amounted to £8.58m (£7.7m).

The directors attribute the fall to a reduction in the profits on property sales and extra finance charges arising out of development work at the Ipswich brewery from which considerable future benefits should arise.

During the first half, beer sales were slow, while wines and spirits sales were up. However, trading subsequent to June has been subject to even more adverse weather conditions which severely affected the traditional holiday areas causing a further decline in beer sales.

Wines and spirits sales, however, continue to grow but the net effect of the trade pattern coupled with a continuation of heavy development expenditure is that the group is not expected to achieve profits for the year significantly different from the corresponding period in 1977.

# Avana up 83% in 26 weeks

FOR the 26 weeks ended September 30, 1978, turnover of Avana Group, cake maker, baker and confectioner, rose 13.2 per cent to £15.83m and pre-tax profits were 83 per cent higher at £1.41m against £769,000 in the same period last year.

The directors take an optimistic view of trading prospects in the second six months and feel there is every reason to expect that the year's profit result will record a further period of growth.

The net interim dividend is stepped up from 0.5p to 0.63p—the total in 1977-78 was 1.075p—from peak pre-tax profits of £2.34m. The dividend policy is being reviewed, the directors say, and the distribution for the year will reflect the foreseen higher level of earnings.

Over the half year only 1/10th of the sales increase was attributable to price increases since the start of the financial year. Profits reflect the benefit of higher volume sales on net margins comparable with better product mix and better all round control of operations.

The directors also report that the performance in all factories continues to improve and progress has been aided by more stable raw material prices stemming primarily from the weakness of the U.S. dollar. A major re-equipment has been embarked upon at Rotherstone to develop new lines of production where there are assured markets and certain success.

The group's business is becoming less seasonal and the profit increase reflects some degree of equalisation between the two half years, the board states.

Capital investment programme has continued and must support an increasing level of profitability and further secure future earnings potential. The group is a major supplier to Marks and Spencer.

## British Northrop downturn

REDUCED TURNOVER of £192m against £212m and pre-tax profits down from £373,000 to £175,000 are reported by British Northrop for the first six months of 1978. Last year, profits totalled £501,000.

The first half profit is after interest of £28,000 (£32,000). Tax takes £12,000 (same) giving earnings per 50p share of 9.57p against 20.78p.

The directors say the results stem from difficult trading conditions worldwide in the textile industry and the reluctance of customers to place new orders.

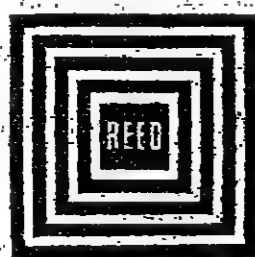
On the development side, however, further excellent progress has been achieved in regard to the Rapier shuttleless loom. This together with the newly established reconditioning services places the group in a better position to take advantage of any recovery.

For the moment however, trading is difficult and therefore the effect of any recovery in the level of orders is unlikely to be reflected in improved profitability until the early part of 1979.

## Aberdeen Trust

After all charges including tax of £780,020 against £713,511, net revenue of Aberdeen Trust improved from £125m to £14m for the year ended September 30, 1978.

The final dividend is 3.5p per 25p share, making a total of 5.35p. A one-for-two scrip issue is also proposed.



## Reed International Limited

Consolidated Profit Statement for the 6 months ended 30th September 1978

3 Months Ended		6 Months Ended	
30.9.77	30.9.78	30.9.78	30.9.77
£ million (unaudited)		£ million (unaudited)	
405.2	426.3	824.2	799.7
216.5	233.9	469.9	434.3
189.7	192.4	354.3	365.4
25.4	24.1	63.2	52.2
3.4	2.1	3.2	5.8
28.8	26.2	56.4	59.0
17.1	12.5	35.1	36.9
41.7	13.7	21.3	22.1
(9.9)	(7.6)	(16.3)	(19.6)
18.9	18.6	40.1	39.4
10.9	10.6	23.7	23.5
6.4	5.4	15.2	14.4
4.5	5.2	8.5	9.1
8.0	8.0	16.4	15.9
1.9	1.9	3.1	3.5
6.1	6.1	13.3	12.4
5.5p	5.5p	11.8p	11.1p

Notes: \* (1) U.K. Operating Profit is after an exceptional provision of £5.2m.  
(2) Overseas Operating Profit relates to the period ending 30th June 1978.

### Review

U.K. Operating Profit for the 6 months ended 30th September 1978 was £40.3m before an exceptional provision of £5.2m described below. The Company's share of profits in Associated Companies in the half-year to 30th September 1977 included £2.0m from ATV and Kimberly-Clark which were sold in that year. The direct comparison for existing operations is an increase of 15% from £34.9m reflecting continued successful trading by the home-based divisions.

Overseas Operating Profit for the half-year was £21.3m compared with the £14.2m reported in the second half of last year.

Interest charges are progressively declining as the Company's total net debt is reduced.

The recently announced sale of the Company's 81% shareholding in Reed Consolidated Industries in Australia, together with the completed sale of the 63% holding in Reed Nampak in South Africa, and the agreed disposal of the Company's interests in the British Columbian Joint Venture companies will result in proceeds in excess of £80m and a reduction in consolidated debt of some £110m. This major restructuring would, in isolation from normal trading results, reduce the debt/equity ratio from 211% at the end of last year to about 130%. £13.4m (1977-£14.9m) of the £21.3m Overseas Operating Profit in the half-year to 30th September 1978 was attributed to these three operations.

UK Operating Profit reported for the quarter and the half-year have been reduced by a provision of £5.2m which represents the costs of repatriating part of the proceeds of the sale of Reed Nampak through the Securities Rand market together with the future cost of net interest payable on loans of DM54 million raised for the original purchase of Reed Nampak. The sale proceeds included DM54 million which have been used to purchase Deutschmark securities with similar maturities to the loans but carrying lower interest rates.

As previously indicated the Board has declared in respect of the year ending 31st March 1979, an interim dividend of 3p per £1 Ordinary Share (1977-5.955p) absorbing £3.3m (1977-£6.6m). This dividend will be paid on 9th January 1979 to shareholders on the register on 24th November 1978.

REED INTERNATIONAL LIMITED REED HOUSE PICCADILLY LONDON W1A 1EJ

### comment

In three and a half years, Dr. John Randall has revolutionised Avana. When he was appointed managing director in April 1975, annual profits were £272,041. Last year the full-year figure was £2.3m and in the first six months of this year profits have jumped more than 80 per cent to £1.4m. Capital investment in new equip-

in fashion, but arrangements were made at high cost due to non-delivery from a respected supplier.

This, together with a narrowing of margins, was mainly responsible for reduced profits. Borrowings were materially lower, which is reflected in the reduced interest charges.

The group makes "Marathon" underwear and outerwear and is a major supplier to Marks and Spencer.

## John Beales profits dip midway: improvement seen

PROFITS before tax of John Beales Associated Companies were down from £352,000 to £479,000 in the first half year ended September 19, 1978, but the directors say prospects are for an improvement in the second half.

Profits in the first half take into account a £19,000 (£10,000) surplus on sales of plant and is after interest of £74,000 against £108,000 and £127,000 (£139,000) depreciation.

The interim dividend is raised from 1.2p to 1.4p per share and as a result of the tax rate reduction, a supplementary dividend of 0.0255p is also being paid. Last year's total was 2.8852p from pre-tax profits of £1.21m.

Sales in the first half amounted to £9.08m against £8.71m. Tax charge was £249,000 (£287,000).

The directors explain that considerable production of garments from a specialist fabric was planned to counter sharp changes

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are income or bonus and the sub-divisions shown below are based mainly on last year's timetable.

TODAY	
Interim—Allied Trust Banks, Carriers Superfoods, English and International Trust, London Trust, Macdonald Martin Quinlivan, Pritchard Services, British Spinners	
Finals—Equity Income Trust	
FUTURE DATES	
Interim—Allied Leather Industries	Nov. 22
Continental and Industrial Trust	Nov. 9
Flight Refuelling	Nov. 9
Unilever NV	Nov. 13
Finals	
British Car Auction	Nov. 8
Kwik Save Discount	Nov. 18
Northern American Trust	Nov. 16
Seo-nard Industrial Investments	Nov. 8
Yarrow	Nov. 8

## Wallersteiner bankruptcy

In the 1977/78 accounts of W. J. Baldwin and Company the directors report states that the Trustee in Bankruptcy of Dr. W. K. Wallersteiner, Mr. Christopher Morris, reported on August 21, 1978, that proofs of debt in bankruptcy have so far been received for a total of £21,378,241.

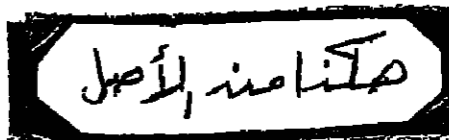
Of these proof debts, £888,994 has been submitted in three claims by R. J. Baldwin and Company and £2,149,137 has been submitted in three claims by Hartley Baird. Dr. W. K. Wallersteiner's claims consist of £4,122 based upon its judgment debts in the action Wallersteiner v Moir, and the rest consists of further claims in that action. Hartley Baird's claims consist of £567,209 based on its judgment in the action Wallersteiner v Moir, and the rest of its claims consist of further claims made on its behalf in that action.

The Trustee's report stated that all these claims are under investigation and discussion and a number of the larger claims which have been received may have to be rejected in whole or in part.

The directors were advised on September 27 that the total funds in the hands of the Trustee in Bankruptcy were as follows: monies received up to August 1, 1978, £47,521 and payments to date, £14,374. The Trustee also notes that the balance is subject to substantial costs.

## COMLEY & PITT REPAYMENT

Comley and Pitt, a wholly owned subsidiary of LCP Holdings, is proposing the repayment of the outstanding £225,657 of its 84 per cent first mortgage debenture notes 1990-85 at 495 per cent, together with interest accrued.



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in association with  
the Institute of Directors and the Confederation of British Industry

# The Tenth National Management Game 1979

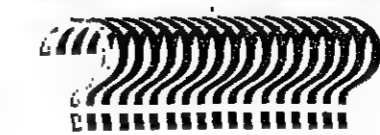
Final date for Entries November 6 1978

You will thoroughly enjoy the thrilling, mind stretching experience of the 10th National Management Game, and it could develop a mastery of business strategy. That's judging by the effects on 45,000 participants in previous years.

Teams have to solve complex marketing and production problems, with the highest net profit as the goal. It's an ideal form of business training — stimulating, creative, demanding.

Prizes are worth over £5,000. The first prize will be £2,000 plus admission to the European Management Game Final in Paris in September, 1979. There will be cash prizes for second, third and fourth, and silver "Armada Dishes" for all finalists. The presentation will be in London in July 1979. Both British and European finalists are given free travel and accommodation. Entry forms must be received by November 6, 1978.

## National Management Game 1979



Prizes worth over £5000

Including cash prizes for all finalists.

To the National Management Game Administrator, International Computers Ltd., Victoria House, Southampton Row, London WC1B 4EJ. Telephone: 01-242 7806.

I enclose the entry fee of £80 incl. VAT ☐  
Please send an entry form and full details of the 1979 NMG ☐  
Please tick appropriate box

Name \_\_\_\_\_  
Address \_\_\_\_\_  
FT2



## TO ALL SHAREHOLDERS OF Sime Darby Holdings Limited

At the Annual General Meeting on 17th November, Shareholders will vote on your Board's recommendation that Price Waterhouse & Company be appointed Auditors in place of the Company's present Auditors, Turquand, Youngs & Company.

Your Board urges you not to submit signed proxy forms until you have considered the representations on this matter put forward both by Turquand, Youngs & Company and by your Board.

Representations by both parties will be posted to all Shareholders later this week.

## MINING NEWS

## Putting Ashton into a cooler perspective

BY KENNETH MARSTON, MINING EDITOR

THE NEXT progress report on the exciting Ashton diamond exploration venture in the Kimberley region of Western Australia will be issued by next Monday. This is announced by Conzinc RioTinto of Australia as manager of the project with a stake of 52.6 per cent.

The interim report is to be made at the request of Ashton Mining, a partner with an interest of 22.4 per cent in the venture, which would like the results of sampling to the end of October to be made available at the time of first dealings in Ashton Mining shares; they were recently offered to the public at their par value of 50 cents (\$20).

CRA's reporting policy in regard to the Ashton venture is basically one of quarterly statements, the next being due in January. But any results considered to be of significance for the development of a commercial mine will be made known immediately.

There will also be announcements made when required by the joint venturers to meet special circumstances such as those associated with share offers. Apart from CRA and Ashton Mining, the other partners are: Anglo (Australia) 4.8 per cent, Sibeka 7 per cent, Tsanganyika Holdings 8.4 per cent and Northern Mining 5 per cent.

In line with its policy of taking the speculative heat out of the venture, CRA delivers a resume of the progress made so far in a format which has been agreed between the joint venture partners and the Stock Exchange, "to provide some perspective for past and future sampling results."

It underlines the point that at this early stage the results being obtained cannot give a reliable guide to prospects. For example, new sections for unlisted securities in due course.

It is stated that International Nickel Ireland, a subsidiary of Inco Metals of Canada has entered into a joint venture agreement with Oliver Prospecting covering prospecting licences over a total of 430 square miles in Ireland.

So far International Nickel has spent at least \$125,000 on exploration work and if the Canadian offshoot raises this spending to \$250,000 it will have the option to acquire the nickel

operations in Australia of Western Mining during the 12 weeks to September compared with AS283,465 in the 16 weeks to September 1977 and AS234,418 in the 16 weeks to June 1978. Its recent acquisition, the UK Waltham coal mining machinery group, earned profits in excess of the estimate of \$800,000 for the year to last May.

of taking a 50 per cent interest in the licences. The present issue is designed to provide Oliver Prospecting with funds to continue general exploration for minerals on its own account or in joint ventures.

N. CENTRAL WITS IS OPTIMISTIC

The outlook for the current year is favourable, according to Mr. J. N. Clarke, the chairman of South Africa's New Central Witswatersrand Areas, in his annual statement published last week.

It is expected that revenue from gold interests will improve and the prospects for coal and diamond holdings are seen as good.

Mr. Clarke said that the New Central Wits is an investment holding company in the Anglo American group. In the 14 months to August it had net income of R393,920 (\$217,419) and paid dividends of 22 cents (12.06p) a share.

Its portfolio of investments had a market value of R7,05m (\$3.8m) at the end of August, compared with a value of R4.3m at the end of June 1977.

IRISH PROSPECT SEEKS FUNDS

An offer of up to 500,000 shares of \$1 at a price of 40p per share is being made by Dublin's Oliver Prospecting and Mining, the Irish company, which has an issued capital of \$50,000, states that it may apply to the Stock Exchange for a quotation on the guide to prospects.

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## BIDS AND DEALS

## Compromise reached in Trident battle

A compromise has emerged in the drawn-out bid for Trident Argus offer, then a proposal for compensation for loss of office by Mr. Dipre is to be put to shareholders for approval. An amount of about £21,000 is likely to be suggested, which would represent around one year of Mr. Dipre's salary.

Starwest Investment Holdings, the private company owned by Mr. Dipre through which he launched his bid, is in talks with Argus and Trident which are likely to lead to Starwest acquiring certain subsidiaries of Trident Argus. Under the arrangement Mr. Dipre would acquire the general printing companies and other subsidiaries, which in the last financial year made between them a loss of £50,000. But net assets attributable to these companies as at March 31, 1978, amounted to £3.7m. Starwest has agreed a purchase price of £30,000 with Argus for those subsidiaries.

The proposed deal would have no effect on the financial terms of the Argus offer of 100p for each Trident share. If the deal is approved by shareholders after an extraordinary general meeting, and Mr. Dipre and Starwest have

confirmed they will accept the offer, then a proposal for compensation for loss of office by Mr. Dipre is to be put to shareholders for approval. An amount of about £21,000 is likely to be suggested, which would represent around one year of Mr. Dipre's salary.

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capacity at Rank's Plymouth factories, to manufacture television sets and music centres to Toshiba designs.

It is expected that the joint venture will draw largely on Toshiba's research and development and engineering capability. The Japanese company is injecting £3m into the joint venture. Most of this will be used for re-equipping the factories to build up production from the current 175,000 sets a year to a projected 350,000 by 1981.

Pru spells out restructuring benefits

The Prudential Assurance Company yesterday issued details of the restructuring of the company, aimed at setting up a new holding company, for the present Prudential group of companies. This move was first announced in May and the purpose of this restructuring is to separate the monitoring and control of the constituent parts of the group from the responsibilities of running these constituent parts.

The document points out that at present the Prudential is subject to insurance legislation and is required to maintain adequate reserves to support the general insurance business. For each £100 of annual general insurance premium, a company must now have free reserves (the excess of assets over liabilities) of 116p by law. But it points out that because of investments and growth in premiums, a free reserve of £30 is considered about the minimum acceptable level and the company prefers at least £50.

Thus the "Pru" adopts 40 per cent as the minimum solvency margin acceptable.

The document then states that an insurance company cannot expand its asset base by borrowing money. But the new holding company will not be an insurance company, therefore it can borrow money and use the proceeds to expand the equity base of the insurance operations thus facilitating expansion.

The new holding company will be called Prudential Corporate Holdings and under the scheme shareholders would exchange each 50 share in Prudential Assurance for a 50p share in Prudential Corporate Holdings. An expected dividend of 10p per share would be paid.

At the time of writing this review a new Prime Minister has taken office. He does so at a critical period in the affairs of the country. The world is demanding an end to institutionalised discrimination, and there is also a growing demand by all races in South Africa for something positive to be done in this regard.

It seems likely that in 1979 both Rhodesia and South West Africa will establish non-racial societies run by black majority governments. South Africa has played a major part in bringing about these changes, but in doing so it has stimulated the demand for change at home, and this is the challenge that faces the new government.

In recent times two commissions of enquiry into labour practices have been appointed, the Wachman and Rieker Commissions. Their reports are awaited with keen interest. They could well provide the beginning of a new era in race relations on the labour front. If this proves to be the case then it will set an example that can be followed by the elimination of discrimination in other areas. The Government is studying new constitutional arrangements for the white, coloured and Indian communities and I share the view of those who believe it will be impossible to exclude the blacks, and particularly the urban blacks. If they were to be accepted as official policy, there is every chance that a new constitutional framework could emerge that will gain support from influential members of the international community. To assist in this process of change and indeed to accelerate it, South Africa needs understanding, encouragement and, above all, investment from abroad. As the economy expands and becomes more sophisticated the opportunities for training and employing all races are increased. This leads to higher standards of living for all, which is the key to inter-racial harmony. I wonder if those who plead for disinvestment in South Africa pause to reflect upon the unemployment and chaos that would result if they succeeded with their campaign. I have no doubt that the withdrawal of foreign capital and the imposition of sanctions would be counterproductive and would slow down the process of change, as those in authority responded by mobilising all their available resources to defend their very existence. On the other hand if South Africa can build a political and constitutional structure to satisfy the majority of its peoples then there is no limit to the development of its economic potential. Where possible Johnnies will play its part in the financial and economic fields to assist in the process of constructive and meaningful change.

Directorate and Staff

Mr. J. Ogilvie Thompson retired from office as a director of this company on 8 February and I wish to express my appreciation of his services on the Board. Mr. G.H. Waddell was appointed in his place and I would like to welcome him both to the Board and to the Executive Committee. Since the year Mr. D. F. Macfarlane has joined the Board as Technical Director and I welcome him also to the Executive Committee.

I would also like to place on record the appreciation of the Board and myself for the willing and sustained efforts of all members of our staff during the year under review.

31 October 1978

Johannesburg

# Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa)

## Chairman's Review by Sir Albert Robinson

The Annual General Meeting of the Company will be held in Johannesburg on 9 November, 1978 at 12 noon.

### Results for the Year

During the financial year to 30 June 1978 the profit after tax available to ordinary shareholders, but before an extraordinary item to which I shall refer later, amounted to R42.2m compared with R37.0m a year ago. Our income from investments, trading profits, fees and net sundry revenue showed a slight improvement upon the corresponding figures for the previous year. The principal change in this year's accounts relates to the surplus on realisation of investments, details of which are fully discussed in the Directors' Review in the Annual Report. Part of the realisation stemmed from our liquid share portfolio. This is not material to our main business and is really cash in another form. Disposals from this portfolio and other share transactions raised R12.3m. Ordinary dividends remained unchanged at 170 cents per share. During the year the Company obtained additional finance of R40m through a preference share issue to augment its normal cash flow. Largely as a result of this step the net current assets of Johnnies and its financial subsidiaries showed a substantial improvement at the year end and are adequate to meet our commitments.

### Future Commitments

The Company will still have to meet calls upon its cash resources in respect of Offshore Mining Company (Pty) Limited, Shangani Mining Corporation Limited and Consolidated Metallurgical Industries Limited. We have reduced our obligations by meeting guarantees of R17.5m in respect of Offshore's long term loans. The accounts reflect an extraordinary provision of R34.3m. This together with the provisions of R18.2m in last year's Income Statement, cover the full write-off of Johnnies' investment in Offshore, including both the bank guarantees to which I have already referred and the estimated on-going cost of care and maintenance for another two years. It is most unfortunate that the establishment of this mine coincided with the collapse in the price of copper, and that as a result it has proved necessary to cease operations. However, I know that shareholders will be relieved at the fact that Johnnies has been able to absorb this heavy financial burden without any fundamental adverse effect upon the Company's financial strength. The future of this mine will be decided upon during the next year or two. Whilst there is some suggestion that excessive world copper stocks are being slowly whittled down this has not been reflected in any material improvement in the price. The short to medium term outlook is therefore not encouraging.

The Anglo American Corporation of South Africa Limited through its Rhodesian office was appointed as Securities and Technical Advisors to Shangani with effect from 1 April 1978. Johnnies and Anglo American Corporation Rhodesia Limited have each agreed to contribute R18.2m to Shangani, by way of a rights issue at par in order to provide the finance which should keep the mine operating until the middle of 1979. During this period the open pit operations will be running down and the underground development phase will have commenced. Hopefully greater clarity on the political front in Rhodesia during the next year, and the prospect of better nickel prices will enable a longer term view to be taken of the financial measures necessary to complete the underground establishment programme and to reduce the

company's burden of debt. Inclusive of the pending rights issue Johnnies' investment, by way of equity, loans and guarantees in respect of loans raised by Shangani, amounts to R23.1m, of which R3.9m has been written off.

Consolidated Metallurgical Industries Limited has established itself remarkably quickly as a low cost producer of good quality ferrochrome. This augurs well for the long term potential of CMI. Internationally, production exceeds demand and the company has therefore reduced its output to one of its twin stream operations. Under these conditions the cost of servicing the company's borrowings is a heavy burden. It has been decided that CMI should reduce its short term debt and to this end arrangements have been agreed for shareholders to provide R10m of equity and R10m of convertible loan stock.

Provision has been made to meet the calls on Johnnies by these three companies during the current financial year.

### Platinum

The Company's investment in Rustenburg Platinum Holdings Limited is once again showing considerable promise with the rapid and satisfactory strengthening of the platinum price. At the low prices that prevailed over the past three years Rustenburg was operating at marginal profitability and was obliged to pass two dividend distributions with the result that Johnnies did not receive any dividend income from this source during the year under review.

However, since the year-end Rustenburg has published most encouraging results and it has declared a final dividend of 8 cents per share which will be reflected in Johnnies' results for 1979.

### Gold

The planned expansion at The Randfontein Estates Gold Mining Company, Witwatersrand, Limited has been completed ahead of schedule. The new 1,000 gold and uranium plant has experienced start-up teething troubles which are steadily being overcome and the refurbished Mill-lift plant is now operating most satisfactorily. I am satisfied that Randfontein Estates can look forward to many years of profitability which should amply justify the major capital investment programme of the last three years. Randfontein Estates is one of South Africa's premier gold and uranium mines and Johnnies is proud to have been involved in its development and operations over so many years.

Western Areas Gold Mining Company Limited achieved a record when it mined 1,078,000 tons of ore in the September quarter. As a low grade mine it is benefiting both from the rising gold price and the increased throughput. The company has for some time been investigating the Middle Elsburg Reef for their uranium potential and recently requested the Nuclear Fuel Corporation of South Africa (Pty) Limited to endeavour to obtain a long term uranium sales contract on its behalf. It has also decided to expedite the development of ore reserves on the uranium bearing Middle Elsburg Reef horizons and to examine in detail how best to exploit further the company's uranium potential if it succeeds in obtaining a suitable contract.

The gold mining industry is striving to increase productivity, but the results are disappointing. The Mine-

workers' Union has in the last few years been particularly insistent upon the introduction of a Monday to Friday five day week. A compromise agreement, which was reached in 1976, resulted in the introduction of an eleven-shift fortnight arrangement. It was hoped that the expected cost of this new arrangement and the anticipated lower productivity from underground employees would be offset to a considerable degree by those provisions of the agreement which were intended to make better use of the black labour force.

Regrettably these hopes have not been realised, mainly for the reasons that additional labour has had to be employed underground and there have been material increases in other costs. It is fortunate that there was an abundance of labour available to draw upon during this period. Every endeavour must be made to make the eleven-shift fortnight scheme work as originally intended and this view is supported by the findings of the Finance Commission report that has just been published.

### Coal

Tavistock Collieries Limited has enjoyed another successful year increasing its profits after tax to R12.0m. Each of the three collieries within the Tavistock group achieved the distinction of completing 1,000 fully-free production shifts during the year. This is a splendid record of safety for which they are to be congratulated. The group has introduced modern equipment underground which is enhancing their established position as a low cost producer. The development of a new section at the Tavistock mine together with a new coal washing plant will provide both the additional capacity and a higher degree of marketing flexibility to continue the company's record of performance.

### Antimony

Consolidated Marchmont Limited is experiencing difficult trading conditions. Both the worldwide price and the demand for antimony concentrates are at low levels, and unless there is an improvement in the price the foreseeable future it will be difficult to maintain the current level of production. However, the market for antimony has always been cyclical in nature, and despite its present weakness the long term demand for antimony oxide as a flame retardant gives reassurance for the future.

### Exploration

In the field of exploration we have concentrated our efforts in specific areas, such as the Karoo where our prospecting teams are engaged in the search for uranium ore bodies. This is a joint venture with Randfontein Estates and while we have found encouragement in some of the results it is far too early to say whether ore bodies of sufficient

# \$ improves as pressure eases

Movements were very volatile in the foreign exchange market yesterday, but the dollar was generally firmer against other major currencies. Trading was very thin at times, with central banks probably taking advantage of the situation to push up the U.S. currency.

Earlier in the day the dollar came under further pressure and there was a good commercial demand for sterling, but the pound fell quite sharply towards the close as the result of a large commercial selling order. At the same time the dollar rose in terms of all currencies, although business was generally quiet as stock exchanges closed early ahead of the All-Saints Day holiday.

Sterling opened at \$2.22, the highest level of the day, and traded between \$2.20 and \$2.21 until the late afternoon when it fell to a low point of \$2.19, and then recovered to close at \$2.20. The dollar touched a low point of DM 1.2210 against the Deutsche Mark, but improved to DM 1.2265, before closing at DM 1.2280 on Monday.

The U.S. currency also recovered well against the French franc after falling to FF 3.97, it closed at FF 4.0350, compared with FF 3.9650 previously.

The Swiss franc traded between SwFr 1.4890 and SwFr 1.5050 in terms of the dollar, and closed at SwFr 1.4975, compared with SwFr 1.4890 on Monday. The yen closed at ¥175.70, compared with ¥175.40 on Monday.

**NEW YORK**—The market appeared to take a rest in early trading, but the dollar recovered on Monday. The general recovery was by the dollar in Europe slowed when the U.S. began trading, but business was normal and movements were slight.

**ZURICH**—The dollar recovered against major currencies amid suggestions of coordinated support.

THE POUND SPOT				FORWARD AGAINST £			
Oct. 31	Bank rate	Day's spread	Close	One month	Six months	Three months	One year
U.S. \$	2.2055-2.2060	2.2042-2.2048	2.2042-2.2048	0.22 0.12-1/2	0.56	0.58 0.48-1/2	0.67 1/2
Canadian \$	1.0000-1.0000	1.0000-1.0000	1.0000-1.0000	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Swiss Fr.	1.4890-1.4900	1.4890-1.4900	1.4890-1.4900	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Deutsche M.	1.2210-1.2220	1.2210-1.2220	1.2210-1.2220	1.00 0.00	1.00	1.00 1.00-1/2	1.00
French Fr.	3.9700-3.9800	3.9700-3.9800	3.9700-3.9800	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Italian L.	200.00-200.00	200.00-200.00	200.00-200.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Spanish P.	166.67-166.67	166.67-166.67	166.67-166.67	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Port. Esc.	200.00-200.00	200.00-200.00	200.00-200.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Belgian B.	33.33-33.33	33.33-33.33	33.33-33.33	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Dutch G.	1.66-1.66	1.66-1.66	1.66-1.66	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Austrian S.	13.76-13.76	13.76-13.76	13.76-13.76	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Yen	175.70-175.70	175.70-175.70	175.70-175.70	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Scand. Kron.	4.66-4.66	4.66-4.66	4.66-4.66	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Irish P.	7.26-7.26	7.26-7.26	7.26-7.26	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Finland Mk.	5.94-5.94	5.94-5.94	5.94-5.94	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Swedish Kr.	4.66-4.66	4.66-4.66	4.66-4.66	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Polish Z.	4.00-4.00	4.00-4.00	4.00-4.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Czech K.	16.67-16.67	16.67-16.67	16.67-16.67	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Hung. Ft.	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Romanian L.	10.00-10.00	10.00-10.00	10.00-10.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Yugoslav D.	13.64-13.64	13.64-13.64	13.64-13.64	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Soviet R.	25.00-25.00	25.00-25.00	25.00-25.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
East Ger. M.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Czechoslovak S.	16.67-16.67	16.67-16.67	16.67-16.67	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai B.	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Singapore D.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Malay S.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Philippine P.	1.00-1.00	1.00-1.00	1.00-1.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Thai Baht	20.00-20.00	20.00-20.00	20.00-20.00	1.00 0.00	1.00	1.00 1.00-1/2	1.00
Indonesian Rp.	1.00-						



NORTH AMERICAN NEWS

U.S. Steel's net income over 250% higher

U.S. STEEL Corporation today reported a "lower-than-expected" third-quarter earnings, but its net income was more than 250 per cent higher than in the same period last year. This triple-digit improvement was achieved in a more modest 10.8 per cent increase in sales to \$1.5 billion, and a 5.2 per cent rise in shipments from 5.3 million to 5.7 million tons. The largest American steel producer's net income of \$63.3 million, or 41 cents a share, marked a 255 per cent increase over last year's \$19.7 million, or 12 cents a share. The company's earnings were boosted by a 10 per cent increase in the price of steel, which is thought to be averaging around 15 per cent. These price increases have been achieved by a boost in the industry's list prices of a little under 10 per cent and a notable reduction in discounting made possible by an increase in import prices due to the devaluation of the dollar and the government's trigger price mechanism for imported steel. But in its earnings statement today, U.S. Steel returned to its attack on the working of the trigger price system, which has failed to make the expected impact on import volumes. U.S. Steel is expected to take a 10 per cent increase in the price of steel this year and U.S. Steel 40 cents a share, thanks to a substantial increase in real steel prices which is thought to be averaging around 15 per cent. These price increases have been achieved by a boost in the industry's list prices of a little under 10 per cent and a notable reduction in discounting made possible by an increase in import prices due to the devaluation of the dollar and the government's trigger price mechanism for imported steel. But in its earnings statement today, U.S. Steel returned to its attack on the working of the trigger price system, which has failed to make the expected impact on import volumes. U.S. Steel is expected to take a 10 per cent increase in the price of steel this year and U.S. Steel 40 cents a share, thanks to a substantial increase in real steel prices which is thought to be averaging around 15 per cent. These price increases have been achieved by a boost in the industry's list prices of a little under 10 per cent and a notable reduction in discounting made possible by an increase in import prices due to the devaluation of the dollar and the government's trigger price mechanism for imported steel.

Ashland Oil ahead in final quarter

ASHLAND, Oct. 31. A SLIGHT fall in earnings for the year to September 30 is reported by Ashland Oil despite an upturn in the final quarter of the year. Total net for 1978 slipped from \$164m to \$161m, with the net per share figure down from \$3.60 to \$3.27. Sales, however, increased from \$5.1bn to \$5.7bn. The fourth quarter showed an upswing in earnings from \$53m to \$62m, with net per share rising from \$1.82 to \$2.09. Sales of \$1.7bn compared with \$1.4bn previously. Meanwhile, Textron has agreed to buy Ashland's coating resin business for \$20m. Agencies.

TXIA seeks to boost its National Airlines' stake

WITH HEARINGS opening in Washington today on the rival requests to merge with National Airlines, TXIA, one of the airline's largest shareholders, is seeking to boost its stake in National from 23 per cent to 51 per cent. TXIA, a small but fast-growing regional airline, launched a battle for National in June when it sought CAB approval to acquire control of the leading trunk airline. Pan American World Airways burst on to the scene in August and has since 51 per cent of National's stock in the open market. The airline said that circumstances had changed significantly since it filed its first request to buy up to 25 per cent of National's stock in the open market providing the holdings were placed in voting trust. An administrative law judge today started hearings on applications by both TXIA and Pan Am to take over National, but at the same time TXIA lodged a request to be able to buy up to 51 per cent of National's stock in the open market. The airline said that circumstances had changed significantly since it filed its first request to buy up to 25 per cent of National's stock in the open market providing the holdings were placed in voting trust. An administrative law judge today started hearings on applications by both TXIA and Pan Am to take over National, but at the same time TXIA lodged a request to be able to buy up to 51 per cent of National's stock in the open market. The airline said that circumstances had changed significantly since it filed its first request to buy up to 25 per cent of National's stock in the open market providing the holdings were placed in voting trust.

EUROBONDS Dealers find the going rough

By Francis Ghiles THE INTERNATIONAL bond markets, with the marked exception of the Deutsche Mark sector, dealers pointed to what they feel is an increasingly disturbing feature of the market—more and more dealers are not taking positions and a reluctance to quote prices is noticeable even among some major houses. The argument of those not wishing to quote a price, at least since last Monday, is that they are prevented from doing so by end of the month inventory accounting. Other dealers believe that the going is becoming too rough for them. There is no doubt that some dealers have conspicuously reduced the list of bonds they are willing to quote a price for. Prices of straight dollar-denominated bonds and floating rate notes were marked down sharply yesterday morning as the six-month Eurodollar rate touched 121 per cent up from the previous day's close of 119.16/17.31 per cent. The rate fell back to 11 per cent at the close and many prices moved up again, helped by a significant amount of profit-taking after covering coming from European centres ahead of the All Saints holiday. This will effectively close a number of banks for the rest of this week. Long-dated issues were marked down by more than short-term ones. The latter suffered more earlier in this month, so now long-term issues are being brought into line. The floating rate note sector also suffered. The recent issue of a bank loan was quoted at 95.90 after having been issued at par. Prices held steady in the Deutsche Mark sector with turnover described by dealers as average. The recent issues for ECSC and Council of Europe were being quoted at a discount of 1 in 2 of a point having edged up a little since last week. The recent wunderkind issue for BankAmerica Corporation was being quoted at 100.00. In the sterling sector, prices fell sharply for the second day running. Most issues have fallen by about four points since the beginning of the week as investors have decided to take advantage of sterling's strength against the dollar. The \$80m FRN for Leumi International Investments NV, to be arranged by Bank Leumi (Jerusalem) was confirmed yesterday.

Currency swings hit Borden

THE SHARP slide in the dollar during the third quarter has often sharply into earnings of the Borden Food and Chemical Group, casting doubt on earlier forecasts of an 8 to 10 per cent rise in earnings for the full year. The company managed a gain in its net income of barely 3 per cent over the quarter to \$54.9m, or 31 cents a share, on revenues up by more than 10 per cent at \$1.1bn. Holding performance back was a 5.1m loss on foreign currency translation compared with a profit for the same period last year of \$200,000. According to company officials, the New York, roughly half of the dollar's losses on Swiss franc loans taken out in 1970 and 1971 under U.S. accounting procedures, these valuation changes have to be taken into the profit and loss account. Ordinarily, the loans were worth some \$17m. The remainder of the foreign exchange losses—in the first nine months they were \$5.5m—stemmed from the food operation in Brazil, though performance was better in local currency terms. So far this year, earnings at the three-quarter stage are 4.5 per cent ahead of \$102.5m, or \$3.30 per share. Revenues have climbed by 3 per cent to \$2.8bn. Most of the gains depend on how the dollar moves up to the end of the year, following yesterday's tentative recovery. At best, the rise in earnings will be at the lower end of the forecast range of increase, the officials said. Actual operating income of Borden was well ahead in the quarter, the largest advances coming from food activities, which were more than 25 per cent up on the same period of last year. The dairy and international activities also made a contribution, but squeezed margins in the petrochemical and fertilizer areas held back the chemical division. Last year, Borden boosted its earnings by 12.5 per cent to \$128.9m, on a rise of only 3 per cent in sales to \$3.48bn; this was the eighth consecutive year in which earnings had improved.

American Brands

American Brands has increased its regular quarterly dividend on common stock to \$1 from \$0.75. Reuter reports from New York. Today's action raises the indicated annual dividend rate to \$4 from \$3.30. The increase was based on a commitment the company made at its annual meeting that the annual dividends paid this year would double the \$2 paid in 1969. Brands also said that it wanted to keep the rate of increase in dividends above the rate of inflation.

Record airline results at UAL

UAL, INCORPORATED, the parent company of the largest U.S. airline, United Airlines, has reported third-quarter profits of \$170.6m, or \$6.74 a share, not only more than double last year's, but higher than any airline's previous full-year earnings. At the same time, United's president and chief executive officer, Mr. Richard Ferris, disclosed that the airline had taken options on 60 Boeing jetliners worth \$2.2bn. Mr. Ferris said that, in order, excluding United's investment in the airline, United's earnings were \$170.6m, or \$6.74 a share, not only more than double last year's, but higher than any airline's previous full-year earnings. At the same time, United's president and chief executive officer, Mr. Richard Ferris, disclosed that the airline had taken options on 60 Boeing jetliners worth \$2.2bn. Mr. Ferris said that, in order, excluding United's investment in the airline, United's earnings were \$170.6m, or \$6.74 a share, not only more than double last year's, but higher than any airline's previous full-year earnings.

Record airline results at UAL

Following the three and a half month long strike by its pilots, Northwest Airlines turned in a net income for the third quarter of \$11.55m, or 53 cents a share, down sharply from the \$29.4m, or \$1.36 a share, last year. The airline's revenue fell from \$291.3m to \$245.9m. The earnings of \$11.55m, or 53 cents a share, were down sharply from the \$29.4m, or \$1.36 a share, last year. The airline's revenue fell from \$291.3m to \$245.9m.

\$50m loan for Fiat-Allis

CHASE MANHATTAN Bank has arranged a \$50m eight-year term loan for Fiat-Allis, a joint venture of Fiat and Allis, a member of the Fiat group. Chase Manhattan is the lead manager of the group of 11 other international banks. This is the first eurocurrency loan to an American company following the revision of Federal Reserve regulation. The loan is for the construction of a new plant in Italy. The loan is for the construction of a new plant in Italy.

Net loss for Uniroyal

UNIROYAL, the motor tyre and chemicals group, said a \$2.8m foreign exchange loss was a major factor in its net loss of \$2.9m for the third quarter, as compared with a \$5.1m profit in the comparable period of 1977. The foreign exchange loss, primarily in translation, compared with a \$1m loss in the third quarter last year. Operating losses in the domestic footwear business, which the company is in the process of selling, continued. Competitive pricing activities in both domestic and European tyre markets also had an adverse effect on earnings. For the nine months, net earnings of \$3.1m compared with \$3.4m of \$1.77 previously. There is no share earnings figure for the 1978 period because of preferred dividend requirements, says the company. Agencies.

MacMillan Bloedel up sharply

CANADA'S largest forest products group, MacMillan Bloedel, earned \$28.8m (U.S. \$24.48m) or \$1.31 a share in the third quarter, up from \$13.5m, or \$0.65 a share, in the same period last year. Sales increased by 21.5 per cent to \$281.3m, from \$231.9m. The increase in third-quarter earnings resulted mainly from improved market conditions in pulp and paper, and from the continuing strong performance of the recently acquired California Lumber Company. Revenues were \$281.3m against \$231.9m. The earnings of \$28.8m, or \$1.31 a share, were up from \$13.5m, or \$0.65 a share, in the same period last year. Sales increased by 21.5 per cent to \$281.3m, from \$231.9m.

MacMillan Bloedel up sharply

Meanwhile, Domtar, the pulp and paper products company, more than doubled its net income for the third quarter, to \$318.4m, or \$1.51 a share, from \$154.2m, or \$0.75 a share, in the same period last year. Sales increased by 21.5 per cent to \$318.4m, from \$231.9m. The increase in third-quarter earnings resulted mainly from improved market conditions in pulp and paper, and from the continuing strong performance of the recently acquired California Lumber Company. Revenues were \$318.4m against \$231.9m.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published in the second Monday of each month. Closing prices on October 31.

U.S. QUARTERLIES				AMERICAN STANDARD				FOSTER WHEELER				HOBART CORPORATION				MURPHY OIL				ROYAL CROWN COS.			
Third quarter 1978				Third quarter 1978				Third quarter 1978				Third quarter 1978				Third quarter 1978				Third quarter 1978			
Revenue	355.4m	287.8m		Revenue	495.8m	329.7m		Revenue	341.3m	282.5m		Revenue	127.1m	118.8m		Revenue	103.5m	89.4m		Revenue	470.9m	402.2m	
Net profits	155.5m	26.63m		Net profits	21.0m	20.0m		Net profits	9.53m	7.85m		Net profits	5.88m	5.35m		Net profits	408.0m	331.0m		Net profits	104.6m	96.4m	
Net per share	0.07	0.13		Net per share	1.55	1.41		Net per share	1.20	0.98		Net per share	0.50	0.49		Net per share	0.08	0.14		Net per share	0.30	0.28	
Nine months				Nine months				Nine months				Nine months				Nine months				Nine months			
Revenue	1,428m	1,178m		Revenue	1,578m	1,338m		Revenue	1,078m	859.2m		Revenue	384.7m	345.5m		Revenue	301.4m	252.9m		Revenue	1,280m	1,200m	
Net profits	108.83m	83.35m		Net profits	78.3m	67m		Net profits	29.8m	18.85m		Net profits	18.43m	17.86m		Net profits	15.55m	13.54m		Net profits	60.45m	49.15m	
Net per share	4.55	4.42		Net per share	5.55	4.19		Net per share	3.64	2.43		Net per share	1.82	1.57		Net per share	1.00	0.89		Net per share	1.74	1.52	
Loss				Loss				Loss				Loss				Loss				Loss			
Revenue	1,428m	1,178m		Revenue	1,578m	1,338m		Revenue	1,078m	859.2m		Revenue	384.7m	345.5m		Revenue	301.4m	252.9m		Revenue	1,280m	1,200m	
Net profits	108.83m	83.35m		Net profits	78.3m	67m		Net profits	29.8m	18.85m		Net profits	18.43m	17.86m		Net profits	15.55m	13.54m		Net profits	60.45m	49.15m	
Net per share	4.55	4.42		Net per share	5.55	4.19		Net per share	3.64	2.43		Net per share	1.82	1.57		Net per share	1.00	0.89		Net per share	1.74	1.52	

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WESTERN UNION CORPORATION US \$55,000,000 Seven Year Facility Managed by SINGER & FRIEDLANDER LIMITED

Building Society Interest Rates GREENWICH LONDON GOLDHAWK

CLIVE INVESTMENTS LIMITED 1 Royal Exchange Ave. London EC3V 3LU. Tel: 01-253 1101

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD. 45 Cornhill London EC3V 3PE. Tel: 01-623 6111

Capital Fixed Interest Portfolio 100.00 Income Fixed Interest Portfolio 100.00

## INTERNATIONAL FINANCIAL AND COMPANY NEWS

Nationale  
Nederlanden  
denies U.S.  
offer

By Charles Batchelor

AMSTERDAM, Oct. 31. HOLLAND'S largest insurance company Nationale Nederlanden today denied that it had made a \$300m takeover bid for the U.S. insurer, Life Insurance Company of Georgia.

In a carefully worded statement, the Dutch company pointed out that it had been engaged in exploratory talks with LOG through an intermediary. But Nat-Ned was at pains to emphasise that the discussions had not reached the stage where a bid had been made.

Nat-Ned's denial of an offer follows yesterday's announcement by LOG that its Board had turned down a bid of \$80 a share from the Dutch insurer. The alleged bid represented a substantial premium on recent stock market quotations for LOG, and was said to be in the form of cash.

Where the saga goes from here, no one at the Dutch company was prepared to say today. In recent years Nat-Ned has been looked upon as one of the more progressive European insurance companies, expanding its overseas activities to a point where for 1977 they accounted for more than a third of total revenues.

The company has been noticeably active in the U.S. It is the sole owner of Wisconsin National Life and has majority holdings in Mid-Western United Life of Fort Wayne, Indiana and Security Life and Accident of Denver, Colorado. It also holds just over 50 per cent of the non-life group, Peerless Insurance of Keene, New Hampshire.

Today's statement from the Dutch company said LOG had a turnover of about \$212m in 1977 and net profits of \$31m. Its assets totalled \$860m. A successful bid from Nat-Ned for LOG would extend the Dutch company's life interests into the south eastern states of the U.S. Its life operations are currently centred on the west and mid-west. Nat-Ned made net profits of \$1 205m (\$110m) on turnover of \$1 440m (\$2.9bn) in 1977, while for the first half of 1978 profits were running some 15 per cent ahead.

**Dassault lifts profit**

AVIONS Marcel Dassault, Breguet Aviation, builders of aircraft and missiles, has lifted gross profits to FF 231.6m (\$43m) for the first six months of 1978, compared with FF 228.5m. At the same time, Societe Dumez public works concern reports a net profit of FF 37.5m, against FF 31.3m.

## MEDIUM-TERM CREDITS

Brazil seeks ways of  
refinancing Eurodebt

By John Evans

BRAZIL appears to be attempting a programme of selective restructuring of part of its Euro-currency debt. In order to exploit the highly favourable borrowing conditions now prevailing in the international syndicated loan markets.

However, international banks are displaying resistance to requests by certain Brazilian state agencies to refinance their loans. It is by no means certain that this restructuring programme, already involving more than \$750m of past debt, will be wholly successful.

European bankers consider that Brazil's actions represent one of the most important turns of events so far in the field of Eurodebt restructuring, under which a whole string of borrowing countries have renegotiated some of their past loans in order to lengthen the maturity and reduce the interest spread payable over interbank rates.

The Brazilian steel concern Acominas has indicated that it would like to restructure the \$500m loan package arranged in March 1977. The facility, divided into dollar and Deutsche Mark portions, was to be in finance the construction of an integrated steel plant in the state of Minas Gerais, costing a total \$2.5bn.

Spread on the \$335m of dollar tranches in the deal ranged up to 21 per cent, on maturities of up to seven years. Various lead managers in the package included Chase Manhattan, Citicorp, Morgan Grenfell and Dresdner Bank.

Acominas may now decide to prepay half of the \$500m ahead of schedule. Bankers suggest that Brazilian entities may be well placed to adopt such prepayment strategies, if the lending banks do not allow a favourable restructuring.

**Reserves**

Brazil's international position is currently very strong, and the central bank's currency reserves are widely forecast to reach a level of \$11bn by the end of 1978.

Negotiations are continuing on the other proposed restructuring, involving a \$250m loan last year to Central Electrica Brasileira, the state electrical generating agency.

The loan included spreads ranging between 12 per cent and 24 per cent, on maturities of up to seven years. Electrobras is apparently seeking to lengthen the life of the loan to up to 12 years, and lower the spread arrangements to between 1 1/2 and 1 3/4 per cent.

There would be little surprise in the market if Electrobras

similarly decided to prepay all or part of the \$250m, if it were unable to obtain an improvement in terms of the scale desired.

The loan was managed by Bank of America, Chemical Bank, West LB International, Continental Illinois, Citicorp and European Brazilian Bank.

Brazil itself is among the most indebted of the developing nations, with gross debt approaching \$40bn. Despite this debt mountain, and a continuing heavy need for development finance, it has been able to share in the general improvement that most borrowers have been able to enjoy.

The state nuclear agency, Nuclebras, is just raising a \$75m 10-year loan at a spread of 1 per cent over interbank rates—the lowest margin for Brazilian risk in the current market cycle.

**Repayments**

These two latest loan developments suggest that Brazil is keen to ease the burden of its debt position, with debt principal repayments becoming particularly heavy in the early 1980s.

Brazil is among the most indebted of the developing nations, with gross debt approaching \$40bn. However, there is argument in the market over the scale to which Brazil could restructure this figure, and many bankers believe that only a relatively insignificant amount could be restructured.

The banks themselves point out that with this amount of outstanding debt, loans for Brazil have "no security value" in the market and thus the country's liability to force a restructuring of past loans is somewhat limited.

In the current negotiations, it has become clear that only a "handful" of banks have so far favoured the Brazilian requests.

Balanced against this must be the banks' reluctance to damage their relationships with Brazil, particularly when many of the orders for the country's large industrial infrastructure development, such as steel and hydro-electric schemes, are the subject of tough competition among the industrial countries.

Brazil is the latest in a long list of nations to have turned to the international markets for credit negotiations. In most cases, the weight of international liquidity—caused by world recession and the U.S. balance of payments deficit—has forced banks to concede better terms in

Rights  
issue from  
Jaques  
Borel

By Our Financial Staff

FINANCIALLY troubled French restaurant group Jacques Borel International is to ask shareholders for some \$23m in new funds via a two for three rights issue at FF 110 a share, compared with a price of FF 150 at the close on the Paris Bourse yesterday.

Towards the end of September, the company announced plans for an increase in capital. These, it said at the time, would be put to shareholders sometime over the next five years, and no decision had been taken about when the new money would be raised.

In 1977 the company incurred a loss of FF 164m compared with a shortfall of FF 33.7m in 1976. It did not pay a dividend. Company estimates last December had suggested that Borel would be out of the red sometime in 1978.

Last night, the company reported that after a difficult period, it now had the ability to recover a balanced position, and markets continued to grow. Hinting at the condition of its balance sheet, the company suggested that by the end of 1978 shareholders' funds could be in a break-even position.

Lafarge forecasts sharp  
second half recovery

By Robert Mauthner

PARIS, Oct. 31.

LAFARGE, the French cement company and the third largest producer of cement in the world, has announced that its net consolidated group earnings in the first half of this year amounted to FF 76.7m (\$15.5m) on sales of FF 3,045m. This was a decline of FF 17m compared with the same period last year, on practically the same turnover.

The company, which is making a one-for-five rights issue, announced last week that group net earnings for the whole of 1978 are expected to be about FF 150m compared with FF 180m in 1977, indicating a marked recovery in the second half of this year.

Its optimism is based on the French government's decision earlier this year to free industrial prices, a move which is expected to be matched by Canada in the near future. In addition, some of Lafarge's operating companies are also expected better results in the second half.

Parent company net earnings

## DUTCH PUBLISHING

## Integrating for expansion

By Charles Batchelor in Amsterdam

A MERGER between Elsevier and Nederlandse Dagbladunie (NDU) would produce the first fully integrated publishing group in Holland with book, newspaper and magazine and printing interests. The nine companies which currently compete on this market are all strongly oriented to one of these three activities but none encompasses them all.

A merger would also produce a publishing group with estimated annual sales this year of around FF 1.1bn (\$550m). This would put Elsevier/NDU on a par with Verenigde Nederlandse Uitgeversbedrijven (VNU) which specialises in the popular end of the book and magazine market, and which also estimates sales this year at around FF 1.1bn.

Elsevier and NDU have market capitalisations of FF 240m and FF 30m respectively. NDU's shares were suspended from trading at FF 255 on Monday while trading in Elsevier stopped at FF 280. Together they employ a workforce of 7,400.

The proposed merger comes in a period of strong growth for the Dutch publishing houses in both their domestic markets and abroad. Faced with the limitations of the Dutch language area, comprising 15m Dutchmen and around 5m Flemish-speaking Belgians, Dutch publishers, in particular Elsevier, have been

expanding in other languages, titles in this field to 258. Scientific and technical publications accounted for 28 per cent of its 1977 turnover rising on the newspaper side in of FF 593m. Books represented the past few years and advertising revenues have also increased. Weekend editions of the popular dailies frequently run to 70 pages and more while sales and profits over the past 10 years have been continuing to rise almost monthly.

But the publishers face the 19 per cent to FF 14.5m on sales of 10 per cent higher at FF 309m. Elsevier's printing division consists of three companies in Holland and one in Ireland. Presumably on prices at home and the difficulties of exporting caused by the firmness of the guilders made 1977 a disappointing year for the company's printing activities and probably partly explain why it would welcome a strengthening of this sector.

The small share of printing in Elsevier's total sales is where NDU comes in. Elsevier's contracts most of its printing work and three of its best known titles, Elsevier's Weeblad, Elsevier Magazine, at the financial weekly FEM, come from NDU's presses.

The flagship of NDU's newspaper fleet is the serious event NRC-Handelsblad with its extensive foreign news coverage which it also publishes the popular morning paper, Algemeen Dagblad. NDU has several regional papers too, bringing total daily circulation to more than 800,000.

The development of NDU's profit and loss account has reflected the buoyant publishing market of the past few years. Turnover rose 25 per cent, 1977 to FF 415m while net profit was 45 per cent higher, FF 10.3m. NDU reported an even more spectacular rate of growth in the first half of this year. Net profit tripled to FF 10m, FF 3.4m in the first half with sales rose 37 per cent.

NDU's printing interest accounted for 46 per cent of sales in 1977 with its newspaper sales accounting for 23 per cent and advertising revenues 30 per cent. The printing sector has improved in the past months after several years' underused capacity. NDU's printing operation last year with the acquisition of the Rotterdam company, Veld and Co.

This announcement appears as a matter of record only.

October 1978

Desarrollo para la Vivienda C.A.  
'DEVICA'The U.S. Dollar equivalent of  
Bolivares 90,000,000

Three year Loan Facility

Guaranteed by

## Instituto Nacional de la Vivienda

Managed by

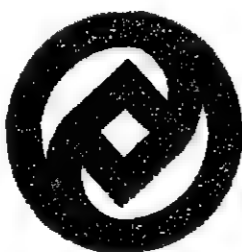
Orion Bank Limited The Royal Bank of Canada

Provided by

Banque Canadienne Nationale	Bank of British Columbia
Bank Leu A.G.	Bank of Scotland
Canadian Imperial Bank of Commerce	Kreditbank S.A. Luxembourg
Orion Bank Limited	The Royal Bank of Canada
Toronto Dominion Bank	
Agent Bank	
Orion Bank Limited	

This announcement appears as a matter of record only.

October 1978



## BANCA SOMEX, S.A.

INSTITUCION DE BANCA MULTIPLE

U.S. \$225,000,000

Medium Term Facility

Managed by

BankAmerica International Group

Chemical Bank International Group

Lloyds Bank International Limited

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Credit Suisse

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-INTERMEN-

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Banco Urquijo, S.A.—New York Agency

Bank Leu Ltd

Bank of America NT &amp; SA

Bank für Gemeinwirtschaft AG, New York, Cayman

Island Branches

The Bank of Nova Scotia International Limited

Banque Bruxelles Lambert S.A.

Banque Française du Commerce Extérieur (B.F.C.E.)

Banque Franco-Allemande S.A.

Banque de l'Indochine et de Suez

Barclays Bank International Limited

The Chase Manhattan Bank, N.A.

Chemical Bank

Credit Suisse

European American Bank and Trust Company

Girocentral und Bank der Österreichischen

Sparkassen Aktiengesellschaft

International Mexican Bank Limited

-INTERMEN-

I.B.I. (Canada) Limited

Manufacturers Hanover Trust Company

Marine Midland Bank

Maryland National Bank

Mellon Bank, N.A.

Midland Bank Limited

National Bank of North America

New England Merchants National Bank

Orion Bank Limited

Provincial Bank of Canada (International)

Limited, Nassau

The Royal Bank of Canada

Scandinavian Bank Limited

United International Bank Limited

Verenigde Westbank Internationale S.A., Luxembourg

## EOE appointment

MR. F. A. BROUWER, former president of the biggest investment trust in Holland, Robeco NV, has been elected the first independent member of the European Options Exchange (EOE). It is intended that he will be elected chairman of the council at its meeting on November 9, writes James Bartholomew.

The EOE has changed its Articles of Association to allow the election of two independent members. These are intended to represent the public and investment community.

All of these securities having been sold, this announcement appears as a matter of record only.

\$150,000,000



## Household Finance Corporation

9% Debentures, Series 5F, due October 15, 1985

Goldman, Sachs &amp; Co.

Dean Witter Reynolds Inc.

William Blair &amp; Company

Bache Halsey Stuart Shields

The First Boston Corporation

Blyth Eastman Dillon &amp; Co.

Dillon, Read &amp; Co. Inc.

Donaldson, Lufkin &amp; Jenrette

Drexel Burnham Lambert

E. F. Hutton &amp; Company Inc.

Kidder, Peabody &amp; Co.

Lazard Freres &amp; Co.

Lehman Brothers Kuhn Loeb

Merrill Lynch White Weld Capital Markets Group

Loeb Rhoades, Hornblower &amp; Co.

Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated

Smith Barney, Harris Upham &amp; Co.

Paine, Webber, Jackson &amp; Curtis

Bear, Stearns &amp; Co.

L. F. Rothschild, Unterberg, Towbin

Wertheim &amp; Co., Inc.

ABD Securities Corporation

Advest, Inc.

Shearson Hayden Stone Inc.

Atlantic Capital

Basle Securities Corporation

Blunt Ellis &amp; Loewi

Dominion Securities Inc.

A. G. Edwards &amp; Sons, Inc.

EuroPartners Securities Corporation

Robert Fleming

Kleinwort, Benson

Moseley, Hallgarten &amp; Estabrook Inc.

New Court Securities Corporation

Oppenheimer &amp; Co., Inc.

Piper, Jaffray &amp; Hopwood

Wm. E. Pollock &amp; Co., Inc.

SoGen-Swiss International Corporation

Stuart Brothers

Thomson McKinnon Securities Inc.

Tucker, Anthony &amp; R. L. Day, Inc.

Wood Gundy Incorporated

Caisse des Dépôts et Consignations

PKBanken

October, 1978

# INTERNATIONAL AND COMPANY NEWS

## Nissan expects exports to fall below home sales

By Charles Smith

TOKYO, Oct. 31.

**NISSAN MOTOR** Company, Japan's second largest car manufacturer, expects its vehicle exports in the second half of its current business year to fall to 550,000 units, or well below sales in Japan, to show a decline of 18 per cent from the level of a year earlier. Sales at home, in the second half, are expected to rise to 620,000 units.

This is revealed in the company's interim statement of results for the first half (to September 30) of the fiscal year, which shows an 18 per cent fall in net profit to ¥34.8bn (¥197m).

The exports estimate is based on the assumption that the yen exchange rate will remain at around ¥190 to the dollar, although the rate on the Tokyo foreign exchange market during the past few days has been as low as ¥180.

The rise in the yen produces direct impact on the prices of Nissan cars sold in most markets outside the U.S. (including Europe). Exports to the U.S. are priced in dollars but the company has adjusted its dollar prices upwards in a series of steps during the past year or so.

During the first half of the fiscal year, the depreciation of the dollar reduced by the equivalent of ¥900bn Nissan's earnings from the U.S. and other "dollar-denominated" markets, but the company adjusted its prices so as to bring in an extra ¥71bn. This meant that net losses on dollar-denominated exports came to ¥19bn.

Nissan's exports touched an all-time peak of 700,000 units in the second half of the fiscal year, but fell to 550,000 units in the six months ending September 30, as the yen's rise began to take effect. In both these periods exports accounted for over half the company's total sales. The position is expected to change during the coming six months, with exports declining to only 48 per cent of overall sales.

Fortunately for Nissan, and for other Japanese car makers, the decline of exports has coincided with very healthy demand in Japan's domestic market. Nissan expects domestic sales to rise to 620,000 units during the second half of the fiscal year, a rise of 7 per cent on the figure for the first half of the year which in turn was 7 per cent up on the last half of 1977. Domestic sales are said to be rising mainly on the strength of "cyclical" replacement. People who bought cars during the 1973 (pre-oil crisis) boom, this means have now reached the point of replacing them.

Nissan's sales during the first half of this year, at ¥1,855bn (¥48.8bn), were down 1 per cent from the second half of the previous year, but were up 6 per cent on year-ago levels (mainly because of expanding domestic car sales). Net income for the latest half-year period came in at ¥34.9bn, down 8 per cent from the previous half-year and 18 per cent on the year-ago figure. This reflects the impact of higher costs on relatively static sales turnover as well as the exchange losses caused by the yen's rise.

Nissan believes that its profit in the second half of the fiscal year will again amount to roughly ¥35bn, yielding a profit of ¥70bn for the year as a whole. Profits in 1977 were ¥80.6bn, down from the peak of ¥85.3bn registered in 1976.

## Matsushita has record net gains for quarter

By Richard C. Hanson

TOKYO, Oct. 31.

**MATSUSHITA** Electric Industrial has raised its consolidated net profit in the third quarter ending August 20 to ¥22.76bn (¥128.37m) by 20 per cent from ¥18.73bn a year ago — the best performance on record for a third quarter period. Consolidated sales were up 16 per cent to ¥330.52bn from ¥284.58bn. Per share net rose to ¥21.53 from ¥19.08.

Video tape recorders and microwave oven exports pushed the export total up 5 per cent from a year ago to ¥144.57bn, but the export share of total sales slipped to 27.3 per cent from 29.7 per cent. For the nine months to August, exports were up 11 per cent.

Nine-month net profit was up 17 per cent to ¥65.06bn, while sales rose 11 per cent to ¥1,533bn, both records for a nine-month period.

Domestic sales were brisk in the area of home appliances and VTRs, particularly air conditioners and refrigerators during the hot summer months. The company now expects that its net profit in the full year ending November 20 will rise to a record ¥35bn from ¥28bn last year, while sales rise to a record ¥2,030bn from ¥1,839bn.

The company's orders for heavy electric equipment, including power stations and substations from the Middle East and Latin America, showed remarkable strength given the appreciation of the yen. Plant export orders of this type are expected to remain at the ¥100bn level this year, or about unchanged from last year.

For the half-year export sales showed a 19.3 per cent gain to ¥64.8bn, or a 15.4 per cent share versus 14.3 per cent. Its foreign exchange loss came to about ¥4.9bn in the half-year, compared with a little over ¥5bn for all last year.

Overall new orders rose 20 per cent to ¥49.15bn, while export orders rose only 3.7 per cent. Domestic orders were bolstered by stepped up orders from electric power utilities under Government instruction. Consumer product demand was strong domestically, up 22 per cent, but consumer exports fell 14 per cent.

Fuji Electric's net profits in the September half-year were up by 52.3 per cent to ¥1,200m from ¥791m. Sales gained on the strength of orders from public agencies by 31.2 per cent to ¥123.01bn from ¥93.70bn. Export orders were flat, however, and overall new orders were up only 3.3 per cent.

Dependence on sales to public agencies rose to 17 per cent of the total sales from 15 per cent a year ago, up 10.5 per cent in value.

## Good Prospects In The North Sea

It was resolved at the Annual General Meeting of Norsk Hydro a.s. held in Oslo on October 27, 1978 to pay a dividend of 12 per cent on both ordinary and preference shares.

The following are the key points of the report of the Directors for the financial year ended June 30, 1978.

**Financial Results**  
Total Group sales in the 1977/78 financial year were N.kr. 5,838m, 28 per cent above the preceding year. Gross profit after deductions for raw materials, wages and other operating costs increased from N.kr. 763m to N.kr. 1,207m. This improvement, however, was completely absorbed by higher depreciation and increased financial expenses. Depreciation was N.kr. 508m compared with N.kr. 221m the year before, and financial expenses rose from N.kr. 216m to N.kr. 443m. Profit before taxes and allocations was N.kr. 241m against N.kr. 247m in 1976/77.

The increase in sales and gross profit were due mainly to increased production of oil and gas from the North Sea, and in particular the start of gas deliveries from the Frigg and Ekofisk fields had a positive effect. The overall result achieved by the company's traditional business in fertilizers, light metals and PVC remained on the same level as the preceding year.

**Operations 1977/78**  
The nitrogen division's products now account for over a third of the company's total sales. As a result of increased demand in the second half of the financial year the international price level for complex fertilizers and urea improved slightly. These products therefore achieved better results than in the previous year.

The fertilizer plants in Qatar, which manufacture ammonia and urea and in which Norsk Hydro has a 25 per cent interest, are now achieving a reasonable capacity utilisation after some operating problems in the early part of the financial year. The expansion of the Qatar plants to double their capacity is expected to be completed by the summer of 1979.

The positive development of the market for aluminium during 1976/77 stagnated during 1977/78. Sales of primary metal were satisfactory, but there was a drop in demand for semi-fabricated products and subsequent pressure on prices. Aluminium is still an important contributor to the company's profit, although the performance of our aluminium operations was this year weaker than the year before.

After several years with a fairly good market and good results for our magnesium business, sales slowed down during the financial year and the price obtained did not match the increase in costs. Despite this, our magnesium activities still yield a relatively satisfactory profit.

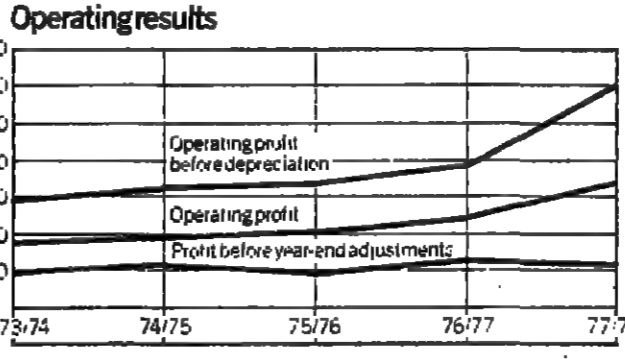
The petrochemical complex in Bamble made great strides towards completion in the course of the financial year. Norsk Hydro has the responsibility for building and operating the ethylene, chlorine and vinyl chloride plants at Rafnes, while Saga Petrochemicals has a similar role for the plastics raw materials facilities at Remmen. The Rafnes plants were completed during the year and were put into operation during the first few months of the current financial year. The start-up of the plants was successful and the main impression is that they have been well designed.

There have been further delays in the completion of the Teesside separation facilities for natural gas liquids from the Ekofisk field, and according to the latest information from the operator, Phillips Petroleum, the facilities will not start operating before the second quarter of 1979, as a result of the ethylene plant is still running on raw material bought in the open market. An agreement has been signed with the Phillips group on compensation for the delay in deliveries.

The market for the petrochemical products from the Bamble complex is at present very depressed. Outlets for a significant part of the vinyl chloride output from Rafnes have been secured, however, either from own consumption or by long-term sales agreements. In order to secure further sales of vinyl chloride, plans are being studied for participation in PVC production in Europe.

At I/S Norpolen's polypropylene and polyethylene plants at Remmen in Bamble, of which Hydro owns one third, the first units were started up this summer. For these products too, the market is at present difficult.

All in all it must be expected that until there is better balance between existing production capacity and the consumption of plastics raw materials, the petrochemical complex in Bamble will turn in poor results.



## Norsk Hydro 1977/78

PVC production at Fossum made a loss, in spite of a reasonable level of capacity utilisation, due to unsatisfactory prices.

The economic result of our participation in the North Sea showed a significant improvement on the preceding year and accounted for roughly half of the company's operating profit. Gas production from the Frigg field in the North Sea started in September 1977.

Norsk Hydro has a 20 per cent share of the total reserves on the Norwegian and British continental shelves. Our share of the recoverable reserves amounts to over 40 billion m³ and the income from the Frigg field will play a significant part in the company's earnings for many years to come. Production regularly in the Frigg field has been very satisfactory. In the current financial year gas deliveries from Frigg will be more than doubled compared with 1977/78.

Gas deliveries from the Ekofisk field to Emden in West Germany also started in the autumn of 1977 and there have been no operational problems. Oil production from the Ekofisk area was less than expected because of production problems and a delay in the start of the Tor field. Altogether the company's share of the oil and gas production from the Frigg and Ekofisk fields amounted to about 2.2 million tonnes of oil equivalent.

Oil production from the Ekofisk area is expected to peak in about 1980/81 and will thereafter decline, while gas production from Ekofisk and Frigg will have a smoother profile. In order to maintain the company's activity in the oil sector at its present level, therefore, it is important that we gain access to new productive fields in the course of relatively few years.

During the financial year Norsk Hydro has taken part in the drilling of seven exploration wells on the Norwegian continental shelf. In three of these, on blocks 30/7 and 15/6, where Norsk Hydro is operator, and 15/8 and 9, where Statoil is operator, traces of hydrocarbons were found. Further wells must be drilled to determine whether the finds are commercial. The company has been awarded a 9 per cent share in what is probably one of the most promising blocks on the Norwegian shelf, block 34/10, which was allocated in March 1978. Promising oil finds were made in the first exploration well drilled on this block. Participation has been sought in several blocks in the new round of concessions now being processed by the authorities. The company spent about N.kr. 100m on exploration drilling in 1977/78 and will continue to spend considerable sums for this purpose.

**Finance**  
Although the building of the Bamble complex and the development of the Ekofisk and Frigg fields are now approaching completion, this financial year was again one of heavy investment. The fact that total investments fell below the 1975/76 level is largely due to the inclusion in last year's accounts of the take-over of the State's share of Reidal-Soldal Kraft A/S.

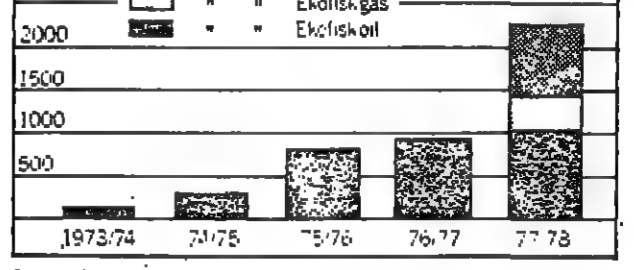
In the current financial year there will be a considerable decline in the capital requirement, with a further reduction in investments in the following year.

The greater part of the year's borrowing requirements was covered by drawing on long-term bank credits in US dollars and by a public issue of 50 million US dollars of 5-year notes. The company's liquidity is good and large undrawn bank credits are still being held in reserve.

As a result of fluctuations in exchange rates during the financial year, including the two devaluations of the Norwegian krone, and in particular the marked rise in the exchange rates for Swiss francs and Deutsche mark, the company's foreign debt converted to Norwegian kroner increased by N.kr. 730m. The loans in question mature in from 4 to 14 years, and in accordance with the Norwegian Companies Act unrealised exchange differences are reflected in the company's Balance Sheet and will be amortized as the loan instalments fall due.

The company's capacity for self-financing improved in 1977/78 as a result, among other things, of the gas deliveries from Frigg and Ekofisk, and this trend will continue. The need for external funds will diminish and it will be possible to reduce our net debt. Although the repayment of loans will be given priority, new loans will still be taken up to ensure that the income of loan currencies is as far as possible corresponded to the period income.

**The current financial year**  
It is expected that the current financial year will see an improvement in our results before depreciation and interest expenses. There will, however, be a marked increase in these two items as the new facilities at Bamble and the North Sea come into regular operation. Ordinary depreciation will increase to more than N.kr. 1,000m, from N.kr. 508m in the last financial year. It must therefore be expected that the company's profit will be very considerably reduced compared with 1977/78.



Copies of the Annual Report can be obtained from: Norsk Hydro (U.K.) Limited, Concord House, The Centre, High Street, Feltham, Middlesex.



Oil, gas, fertilizers, aluminium, magnesium, plastics and laminates

## Nippon Oil earnings setback

By Yoko Shibata

TOKYO, Oct. 31.

**DESPITE** WINDFALL foreign exchange gains, Nippon Oil suffered a setback in earnings as a result of a sharp drop in the price of oil products in the first half of the financial year.

Nippon Oil's sales declined by 2 per cent in volume in the six months to September 30, with a fall in sales of low-profit grade C heavy oil to power companies. Meanwhile, the average market price of refined oil products sold by the company declined by ¥4.147 to ¥32.066 per kilolitre from the previous year's level. As a result, Nippon Oil's sales declined by 12 per cent in value to ¥747bn (¥42.3bn). The company earlier estimated exchange gains of ¥11bn on the assumption that the yen exchange rate would stand at ¥225 to the dollar. However, the yen appreciated by ¥56 to the dollar on the year. This doubled the company's exchange gains to ¥28.4bn from ¥13.8bn a year ago.

Record exchange gains, nevertheless, were offset by a fall in new petroleum tax, which came into effect in June, and resulted in a ¥4bn cost increase for the period. As a result Nippon Oil's current profits dwindled by 8 per cent to ¥14.73bn (¥83.2m). Net profits fell 4.7 per cent to ¥7.57bn (¥32.8m).

For the latter half of the fiscal year, the company estimates exchange gains at ¥9bn. Current profits are expected to be ¥7bn, down 47 per cent from October-March 1978 period—on the assumption that market prices remain unchanged and that the yen average, ¥185 to the dollar. For the full year to March, Nippon Oil foresees sales of ¥1,547bn (down 13.2 per cent) and current profits of ¥21.7bn (down 24.8 per cent).

## James Hardie Asbestos upturn

By James Forth

SYDNEY, Oct. 31.

**JAMES HARDIE** Asbestos, the major building products group, boosted earnings 20 per cent from A\$8.7m to A\$8.84m (U.S.\$10m) in the six months to September 30. Group sales for the period rose 22.8 per cent to A\$10.5m (U.S.\$13.8m).

The profit figure includes the results from the Wunderlich Asbestos Cement operations acquired from CSR last year. Hardie is currently involved in a major expansion through the A\$85m takeover of Reed Consolidated Industries. The company has already secured the controlling interest of the UK parent and is bidding for the remainder of the capital. Hardie is seeking funds for the acquisition through a A\$34m rights issue and a A\$90m debenture issue.

The directors said that while trading conditions remained difficult in Australia the company had made significant gains in Indonesia and New Zealand. The Indonesian operations earned a 600 per cent profit in the first half compared with a loss in the same period last year. Both building products and pipes were making good progress and the directors were confident of the future of the Indonesian operations.

In New Zealand the company moved strongly against a continuing downward trend in the building industry to record a significant increase in profit. The directors attributed the better results there to greater efficiencies as well as a "good performance in the market place."

## Ajinomoto first-half profit rise

By our own correspondent

TOKYO, Oct. 31.

**AJINOMOTO**, the world's largest monosodium glutamate manufacturer, raised its first-half profit by 19 per cent to ¥3,090bn (¥17.3m) in the six months to September 30, from ¥2,600bn (¥15.1m) a year earlier. The rise in earnings was largely the result of rationalisation measures taken since 1975. In addition, the yen appreciation cut import costs on soy beans and other raw materials. The sales drop was chiefly attributed to reductions of sales prices as a result of the sharp fall of material costs.

The shares went on sale in Nigeria on October 9 and upon completion will increase the shareholding of Nigerian citizens and associations from 40 per cent to 60 per cent of the company's share capital.

The sale of these shares will enable the company to comply with the provisions of the Nigerian Enterprises Promotion Decree.

## SAMSUNG MOOLSON OF KOREA Cast in the Japanese mould

By Charles Smith, Far East Editor

EVERYONE KNOWS that Korea has modelled its postwar economic growth on Japan. What most people do not know is that one Korean group, Samsung, began copying Japan with a high degree of success even before the war.

Samsung Moolson, now the Korean's number one trading company, was also number one when it was founded in 1938 by Mr. Byung-Chul Lee, the deceptively mild-looking man who still heads the company.

"Samsung" borrowed its name from Japan as well as a good deal of its business philosophy. "Moolson" is a Korean translation of Bussan—as in Mitsui Bussan which is the Japanese name of one of Japan's oldest and most successful trading concerns (Mitsui and Co. in English). Samsung, itself means "three stars," a name which bears what could be more than a coincidental similarity to Mitsubishi, whose famous "three diamonds" are the symbol of Japan's number-one trading concern.

Mr. Lee says he lost his capital "at least twice over" during the turmoil of the second world war, but began making money immediately after it, when Japanese rule ended and an import-ban began. One month after the Korean armistice, in 1953, Samsung used the trading profits it had accumulated since 1945 to move into sugar refining (before that Korea imported its sugar in fully processed form). A year later it set up the country's first wool-textile mill.

The result by the late 1950s was that Samsung as a company and Mr. Lee as an individual had become the two biggest taxpayers in the nation. Not only that, until the regime of President Park Chung-hee came into power in 1963, Samsung held a controlling interest (70 per cent) in Korea's largest bank, together with 20 per cent stakes banks, second and third largest banks. The history of Samsung's relationship with the Park regime, which is generally credited with

having initiated Korea's present economic miracle, has been largely a matter of (more or less successful) attempts by the latter to cut the former down to size. One of President Park's earlier moves in the field of corporate policy was to oblige Samsung to give up its holdings in the banks—the company duly sold out but bought into insurance companies.

In the mid-1960s, when Samsung established what was at the time one of the world's largest urea fertiliser companies (using technology supplied by Mitsubishi which had originally been developed by ICI), the Government decided that fertilisers were too sensitive a sector to be dominated by a private enterprise.

Samsung Moolson, Korea's leading trading company, has been modelled on Japanese lines by Mr. Byung-Chul Lee, who founded the concern in 1938 and still heads it. Although Mr. Lee says that he lost his capital at least twice during the Second World War, by the late fifties Samsung as a company and Mr. Lee as an individual were the biggest tax payers in the nation. Turnover of Samsung and that of its competitors in Korea is now expanding at rates to make even a Japanese businessman gasp.

concern, and once again obliged Samsung to sell out.

The process of "containing" Korea's largest private (and until then family-owned) concern moved a stage further when the Government took steps in the early seventies which effectively induced Samsung to go public. Today the Lee family owns less than 20 per cent of the group's shares. A large portion of the remainder is held by individual Samsung companies which have interlocking shareholdings in each other's equity (another arrangement recalling Japan).

Mr. Lee, a professed Confucianist, does not claim to be a close friend of President Park (a former general who, however, shares Lee's respect for the

Japanese way of doing things). Despite this he has allowed himself to be "guided" by the Government into putting money into industries which the President and his economic advisers want to see developed, but which are not in Samsung's traditional line of business. The group moved rapidly and successfully into consumer electronics in the late sixties (with five companies in this field, including two joint ventures, Samsung now competes for the title of the top Korean television manufacturer).

More recently, and apparently more reluctantly, Samsung moved into shipbuilding and heavy engineering (the joint ventures with Isukawajima remains the Samsung forte and the area in which the Japanese model has been most faithfully reproduced).

The Samsung Company, as the group's trading arm is now called, was the first enterprise to be designated a "general trading company," (GTC) under the new Korean policy adopted in 1975 for "creating" general trading companies on the Japanese model. Since receiving this strictly honorary designation, Samsung Company's exports have risen from \$34m (in 1974) to \$700m orders were flat, however, and overall new orders were up only 3.3 per cent.

Dependence on sales to public agencies rose to 17 per cent of the total sales from 15 per cent a year ago, up 10.5 per cent in value.

The Samsung group's 1977 turnover of over \$1.3bn made it probably about one-tenth of the size of the Mitsubishi group (although the difficulty of defining exactly which companies are or not Mitsubishi group members makes a precise comparison difficult). Mr. Lee claims that some of the newly fledged "integrated business groups" which have appeared in Korea during the past five years or so are only about one-tenth the size of Samsung. The point, however, is that both he and his competitors are expanding their turnovers at rates which would make even a Japanese businessman gasp (Samsung group turnover was up 38 per cent in 1977). By the mid-eighties the size ratio between Samsung and its big Japanese rivals should be a lot less than ten-to-one.

Oil, gas, fertilizers, aluminium, magnesium, plastics and laminates

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This announcement appears as a matter of record only.

## PRIVATE PLACEMENT

31st October, 1978

## European Coal and Steel Community

U.S. \$18,000,000

NOTES DUE 1990

Nomura Europe N.V.

IBJ International Limited

The Bank of Tokyo (Holland) N.V.

The Nippon Credit Bank, Ltd.

International Credit Alliance, Limited

The Toyo Trust and Banking Company, Limited

## WORLD STOCK MARKETS

## Mid-session Wall St. rally after early fall

## INVESTMENT DOLLAR PREMIUM

Effective \$2.05 34% (25%)

AFTER MODERATELY extending

Monday's late rebound, Wall

Street sustained a fresh fall in

heavy early trading yesterday

before recovering most of the loss

around shortly after mid-day.

The Dow Jones Industrial

Average picked up 2.68 more to

313.93 at 10.30 a.m. and then

retraced to 301.46 at noon before

falling to 307.87 at 1 p.m. for a

net loss of 3.93. The NYSE All

Common Index was still 10 cents

lower on balance at 332.46, after

falling to 332.24, although gains

closed prices and market

reports were not available

for this edition.

pulled even with declines at mid-

session. Trading volume reached

312.7 million shares, but failed to match

Monday's 1 p.m. level of 37.16m.

Analysis said the market is

erratic because price falls gain

momentum from margin calls

provisions, put on to 323.1

times

until the market is extremely

oversold and prices then rally.

However, they added that since

there is no fundamental reason

for the market to go up, the

rally fades and the cycle repeats.

The market was also hurt by a

boost in the broker loan rate to

10 per cent from 10 per cent

by Chemical Bank. The rise has

been a two-fold impact, increasing the

cost of carrying margin debt and

making it more likely that Bank

Prime Rates will soon go to 10

per cent.

Analysts also commented that

fundamental problems, worrying

the market, rising interest rates,

a weak dollar and persistent in-

flation, still show no sign of early

recession.

Government Securities dealers

said it is unlikely the Federal Re-

serve may be tightening monetary

policy.

Dresser Industries lost 1 to 330

and was the most active issue.

General Motors, in second place,

shed 31 to 380.

US Steel, which reported a big

erratic because price falls gain

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Mirror, also reporting stronger

third-quarter profits, added 1 to

317 in active trading.

Baxter Laboratories added 1 at

538.1. The Justice Department

responded favourably to its plan

to jointly own a blood plasma

fractionation facility with the

AMERICAN SE Market Value

Index was a net 0.18 up at 135.91

at 1 p.m. reversing a noon fall of

0.61. Volume 4.1m shares

(7.20m).

Allied Artists topped the active

list, picking up 1 to 341. Houston

Oil, in second place, slipped 2 to

516.

International Systems and Con-

trolost 1 to 313 after stating

that its annual report to the

Securities and Exchange Commis-

sion would be further delayed.

Trojan Brands, which did not

trade on Monday, fell 4 to 323.

It has rejected a \$30 per share

take-over bid from an unnamed

company and said other concerns

have expressed interest in an

acquisition.

Canada

Stocks came back from a firm

start to show an earlier bias of

active trading.

The Toronto Composite

index was 1.4 down at 1218.3 at

noon, while Oils and Gas declined

0.3 to 1479.7 and Banks 0.38 to

392.10, but Golds recovered 3.7 to

1310.3 and Papers rose 1.32 to

147.72.

United Natural Gas, the most

active issue, rose 1 to 351.1.

Canadian Vickers jumped 0.92

to 349. Certain company execu-

tives are planning a \$350 a share

offer for all Canadian Vickers

outstanding shares.

However, Oils and Foods

remained flat.

Other active issues included

Electricals, Chemicals and other

low-priced issues.

Nippon Television Network lost

Y80 to Y80.80, JGC Y50 to Y50.80,

Matsushita Communication Indus-

trial Y30 to Y30.80, Matsushita

Electric Y30 to Y30.80, Tokai

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Electric Y30 to Y30.80, Tokai

Electric Y30 to Y30.80, Tokai

with volume coming to 500m

while in Foods, Pernod-Ricard

gained 2.0 to FF 285.1, on

announcing higher first-half

profits.

Other active issues included

Cetel, Saupique, Saupique,

Dural, Michelin, Presses de la

Cite, B.V. Ma, Crenet-Laire,

CP, Merteux and Sile Rossmo.

However, Saint Gobain fell 7

to FF 148 in reflection of lower

profits and cash flow in the first

half.

Also notably lower were Loca-

France, Mumm, Perod, Polca,

Perrier, Bresson, BP, and

Pierrefite-Auby.

Australia

An attempted bargain hunting

rally failed to gather momentum

as stocks subsequently turned

downwards again to finish lower

for choice on balance.

However, some Golds held to a

firm course in reflection of the

new record Bullion price, with

Central Bank of Australia 30 cents

at AS15.00 and Bank of New

South Wales 3 cents at AS1.32.

Among Coal stocks, Utah pro-

vided a bright spot with a rise of

10 cents to AS3.50, but Oakridge

lost 2 cents to AS2.58.

Most Uranium stocks awaited the

outcome of this week's meeting of

the Northern Land Council to

decide on the sale of the Ranger

agreement. Kathleen Investments

declined 18 cents to AS2.40

# China grain threatened by drought

**PEKING, Oct. 31.** THE WORST drought for over 100 years has hit parts of eastern China and the result could be a little if any increase in the country's overall grain production this year, some agricultural observers believe. This opens up the possibility that China may seek further wheat purchases on the international market. Sources suggest that some recent purchases from the U.S. could reflect Chinese leaders' assessment of the situation and that forward purchases might also be made to offset production problems next year.

China reported a bumper summer grain harvest at the end of July, but agricultural observers said it appeared the prospects for an increase in total grain production this year were dimming. It was still early, however, to make a final assessment, depending on results elsewhere in the country.

The hardest hit area is the rice-producing province of Anhwei, where local authorities have ordered rice-sowing to be delayed and other dry-land crops because there will not be enough water for the early rice crop next year. There are even doubts as to whether there will be sufficient water for dry-land crops.

Later yesterday the U.S. Department of Agriculture reported the sale of 725,000 tonnes of U.S. wheat and 200,000 tonnes of maize to China. All the maize is for delivery in the current marketing year, ending September 30, 1979.

# Coffee price 'range' established

**By Our Commodities Staff.**

A NEW International Coffee Organisation executive board meeting will be called if the indicator price calculated by the ICO rises above 142.25 cents a lb or falls below 128.75 cents a lb and remains there for 30 consecutive market days during the current coffee year (October/September).

At the last meeting, which closed early in October, consumers and producers failed to agree on a new support price range but agreed to give the matter further consideration. Prices moved 15 per cent above or below the average level for the past 30 days of the old season and the first 20 of the new season.

The "counting" period ended on Monday and the ICO announced yesterday that the average was set out at \$151.81 cents a lb.

COMMODITY MARKET REPORTS AND PRICES				
BASE METALS				
COPPER—Lower on the London Metal Exchange, but higher on the New York Exchange. Futures contracts with a delivery date of December 1978.				
	L.M.E. Official	U.S. Futures	U.S. Futures	
COPPER				
London Metal Exchange	748.5-3	5.25	739.5-4.5	5
New York Mercantile Exchange	768.5-3	5.5	760.5-1	-12
Chicago Board of Trade	748.5	5.5		
London Metal Exchange	750.5-3	5.5	787.5-5.5	-18
New York Mercantile Exchange	751.5-3	5.5	748.5	-18
Chicago Board of Trade	751.5			
London Metal Exchange	751.5		666-71.585	



مكتبة المصطفى



**ROCK INDICES**

[illegible]

~~Persons Known Under Alias~~

Prices do not include 5 percent, except where indicated, and are in pennies unless otherwise indicated. Yields as shown in last column are for all savings plans. Offered prices include all expenses. To-day's prices, or Yield based on offer price of Estimated To-day's opening price. Distribution free of F.T. tax. Periodic premium insurance plan. Single premium insurance. Offered price includes all expenses except agent's commission. Offered price includes all expenses if bought through manager. Periodic date price. Net of tax on realized capital gains unless indicated by \* Euro-0 price. Suspended. \* Yield before Jersey tax. Ex-subsidy.





## CBI reports gradual recovery

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A HALTING recovery from the economic recession of the past four years was forecast for Britain's manufacturing industry yesterday by the Confederation of British Industry.

For the first time since the consumer boom started to affect activity in manufacturing companies earlier this year, the CBI put an optimistic interpretation on its quarterly trends survey published yesterday.

"There is a gradual but noticeable move away from recession," said Sir Ray Pennock, a deputy chairman of ICI and the chairman of the

confederation's economic situation committee.

Small businesses, plus larger companies closely linked with consumer products such as electrical goods and paper and publishing, produced the most optimistic reports for the survey about increased activity.

But 60 per cent of manufacturing industry is still working below capacity and the CBI's optimism was heavily qualified by worries about rising labour costs, worsening price competitiveness at home and abroad, weak order books, and growing shortages of skilled labour.

As a result, the confederation's economic situation report, which accompanied yesterday's survey, said that although manufacturing industry was now moving away from the sort of level of capacity utilisation associated with recession, one could "not say that better days have arrived for all firms."

"For many manufacturers demand remains very weak and for manufacturing as a whole the improvement to date in new orders and in output is well short of spectacular."

"However, companies in general are becoming busier and this

very welcome movement is associated with investment intentions which are still strong," said the report.

It added that in one respect its forecasts were "explicitly discouraging and worrying." This was because there was little prospect of the profitability of companies improving "at anything like a satisfactory rate from the present very depressed level."

The main underlying worry among the CBI's leading industrialists was that their companies' already poor competitiveness would be worsened by the

impact of high wage settlements on labour costs.

They will repeat this concern when they see Mr. Denis Healey, the Chancellor of the Exchequer, tomorrow for further talks on the Government's pay policy.

Yesterday they stressed that they were more concerned at present about labour costs and productivity than about the level of the pound.

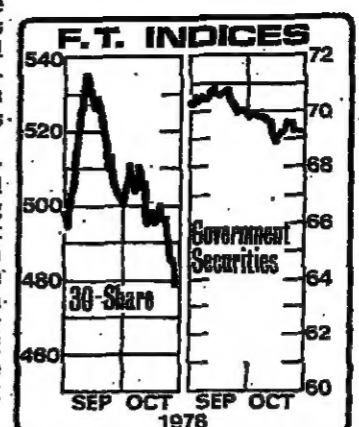
"It is our labour costs and not the value of the pound that we must get right first," said Sir John Heven, the CBI's director-general.

Confidence improves, Page 10

## THE LEX COLUMN

# Reviewing OPEC's credit rating

Index fell 5.5 to 478.9



Since OPEC's transition at the end of last year from being a net depositor to a net borrower of funds from the international banking system the allure of this group of countries for the banks has diminished noticeably. Yesterday's suspension of Iran's oil shipments can only make international bankers more uneasy and selective.

The Iranian government recently indicated that it wanted to refinance a \$500m borrowing which it had negotiated about two years ago. The spread on this loan was 14 per cent above interbank rates. The Tehran Government apparently felt that it could take advantage of market conditions and refinance this loan at a spread of around 1 per cent.

Since the outbreak of political unrest in Iran very little fresh has been heard of this scheme. In view of the strength of Iran's assets—its reserves must still be \$10bn or more—it becomes even more unlikely that Iran would now want to test its credit rating in the wake of this latest development.

The most recent attempt to arrange an Iranian loan was not a success. The party, state-owned Agricultural Development Bank of Iran wanted to raise \$80m in the Euro market at an initial spread of 1 per cent rising later to 3 for a total life of 10 years. These terms were in line with those achieved on two other recent Iranian state loans, but the ADB loan was withdrawn.

halfway stage pre-tax profits were up by a third and in the second half they jumped by nearly two-thirds which helped push the full year total up from \$3.6m to \$5.2m. However, a sharp jump in the tax charge—due to the reduction in stock relief—led to virtually unchanged after-tax profits and the shares slipped 4p to 66p last night, where they sell on an earnings multiple of 10.4 and a yield of 5.7.

Clearly, the combination of buoyant consumer spending and a revival of demand in its traditional menswear business has shown through strongly in both profit and volume terms. Of the 23 per cent increase in turnover, Hepworth reckons that no more than 8 per cent reflect inflation. Meanwhile, the improved cash flow has reduced borrowings by \$4m or so.

Hepworth is seeking further healthy volume increase in the current year which means that its profits should show a useful increase. However, there is a limit to the amount of diversification into new products that can handle through its existing menswear shops and if it is to continue to grow in the longer term it will have to tap new markets.

### Jacques Borel

Jacques Borel International is honest about why it needs a rights issue—without one shareholders' funds could be "approximately zero" at the end of 1978. Consolidated net losses were Ffr 58m for the first half of 1978, but the group is now looking forward to a positive cash flow for 1979. On this slender basis Borel is proposing a 2-for-3 rights issue at par of Ffr 100, raising some Ffr 66m (as much as 44 per cent of the pre-rights market capitalisation). The move demonstrates once again the transformation of the French equity market, which since August has been asked for over Ffr 2bn in rights cash. This is, perhaps, not a large sum compared with what can be produced by the UK equity market in a healthy phase. But then, the UK market would give short shrift to a rights issue from a company like Borel—making losses and missing from the dividend list.

### J. Hepworth

J. Hepworth has finished the year on a strong note. At the

### Reed International

Reed International continues to claw its way back to financial equilibrium. Profits in the second quarter are down from £18.9m to £18.6m pre-tax—but that is after charging a £5.2m provision against the cost of getting out of South Africa. Allowing for this and the impact of disposals, the continuing operations—which are largely UK based—are making steady

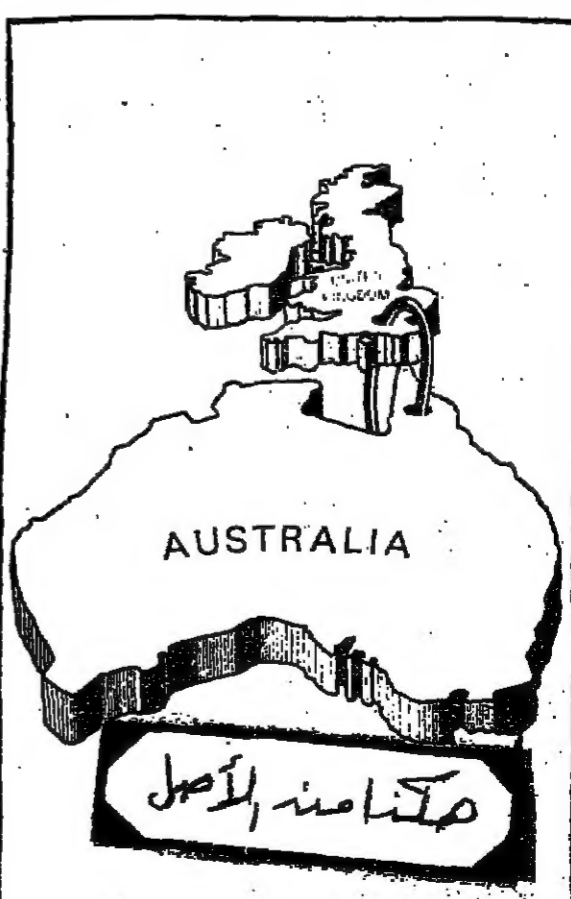
### Weather

**UK TODAY**  
WARM with sunny periods and rain at times.  
London, S. E. and Central N. England, E. Anglia, Midlands, Channel Islands.  
Dry with sunny periods. Max. 16C (61F).  
Wales, N.W. and N.E. England, Lake District, Isle of Man, S.W. and N.E. Scotland, Borders, Cent. Highlands, Scottish Isles.  
Sunny with rain later. Max. 15C (59F).  
Argyll, N.W. Scotland, N. Ireland.  
Rain at first. Brighter later.  
Max. 15C (59F).  
Outlook: Mainly dry, rain in the North.

● Long range forecast: The first part of the month is expected to have stormy and rainy periods, but more settled dry but cold weather is likely later. As a whole, temperatures are expected to be below average and rainfall near average.

BUSINESS CENTRES			
	Y'day midday		Y'day midday
Amantha	S 11	Luxemburg	F 17
Bahrain	S 11	Madrid	F 17
Bombay	S 11	Moscow	F 17
Buenos Aires	S 11	Nairobi	F 17
Calcutta	S 11	Paris	F 17
Canton	S 11	Rome	F 17
Cebu	S 11	Stockholm	F 17
Hankow	S 11	Sydney	F 17
Hong Kong	S 11	Tokyo	F 17
Kobe	S 11	Yokohama	F 17
London	S 11		
Manila	S 11		
Mumbai	S 11		
Nairobi	S 11		
Paris	S 11		
Rome	S 11		
Stockholm	S 11		
Sydney	S 11		
Tokyo	S 11		
Yokohama	S 11		

HOLIDAY RESORTS					
Ajaccio	S 11	47	Jersey	C 14	37
Antibes	S 11	70	Las Palmas	F 17	37
Barcelona	C 11	32	Majorca	S 14	82
Batumi	C 11	32	Malta	S 14	82
Bombay	S 14	87	Melrose	S 21	78
Buenos Aires	S 14	88	Melrose	S 21	78
Calcutta	S 14	88	Malta	S 21	78
Canton	F 21	28	Nairobi	S 21	70
Cebu	S 14	61	Naxos	S 19	64
Hankow	S 14	61	Naxos	S 19	64
Hong Kong	S 14	61	Naxos	S 19	64
Kobe	S 14	61	Naxos	S 19	64
London	S 14	61	Naxos	S 19	64
Manila	S 14	61	Naxos	S 19	64
Mykonos	S 14	61	Naxos	S 19	64
Naxos	S 14	61	Naxos	S 19	64
Paros	S 14	61	Naxos	S 19	64
Rhodes	S 14	61	Naxos	S 19	64
Santorini	S 14	61	Naxos	S 19	64
Smyrna	S 14	61	Naxos	S 19	64
Taipei	S 14	61	Naxos	S 19	64
Tokyo	S 14	61	Naxos	S 19	64
Yokohama	S 14	61	Naxos	S 19	64



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## Dollar's fall forces BL subsidiary to cut 450 jobs and investment

BY KENNETH GOODING

THE FALL of the dollar has led to the loss of 450 jobs at the construction equipment division of SP Industries, the BL subsidiary. The division employs 3,900 people.

The company's investment programme has also been cut by half to \$5m.

All expansion plans are at a standstill. Only projects to improve efficiency are being continued.

Mr. David Abell, SP managing director, said last night.

"The construction equipment business world wide is dominated by the North American companies and is a dollar business. Every five-cent drop in the value of the dollar costs our construction equipment division \$1m in lost profit or increased losses."

"All our expansion plans were based on the assumption that they would take place against a weakening pound, not a weakening dollar."

There has already been a significant cut in the workforce at Grantham through natural wastage.

The 360-man Barby plant, where 400 are employed, is not affected. Those working on research and development or direct workers at the Grantham plant are also excluded.

At Gainsborough, and another Aveling Barford factory at Newburn, near Newcastle, the division is known, suffered a \$200,000 loss compared with a \$2.9m profit before interest and tax in the same period of 1977. Turnover was roughly unchanged at £27.3m.

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Mr. Abell stressed that the dollar's problems were not having anything like the same impact on SP's other operations, including the Prestcold commercial refrigeration concern, the same town, Barfords of Belton, and its sister company Aveling Barford International in the same town, Barfords of Belton, August 1971 dealt more fairly with wage and fringe benefit

adjustments than seemed possible under the President's guidelines announced last week.

"We do not like controls and we do not welcome government operation of the market place, but a recession is worse, and runaway inflation is worse."

He stressed the urgency of the issue and said that the AFL-CIO would urge President Carter to call a special session of Congress to enact the pay and price laws.

But the controls proposed by the AFL-CIO are considerably broader than those implemented by President Nixon or any other peacetime administration. They are aimed at controlling every source of income including profits, dividends, rents, interest rates, executive compensation and professional fees.

The President has set his face against any such legislation and has also appealed to labour to

back his programme. Today's developments can therefore only further strain Mr. Carter's relations with the AFL-CIO.

Mr. Meany said that the guidelines limiting wage and benefits increases over the next 12 months to 7 per cent were "arbitrary, inequitable and unfair."

He also claimed that a White House official had told the AFL-CIO that the 7 per cent figure had been "pulled out of the air."

The AFL-CIO executive said that the President's programme would not prove to be voluntary and would be "eagerly enforced by every public and private employer in the land."

The real wage insurance proposal was vague, and the legislative route needed to make it a fact so unpredictable that union members could not be advised about their protection.

### U.S. unions want pay-price law

BY JOHN WYLES

LEADERS of the labour movement in the United States proved unwilling today either to fight President Carter's wage and price guidelines or to co-operate with them. They called instead for a wide ranging programme of mandatory pay and price laws.

This 35-man executive council of the American Federation of Labour-Congress of Industrial Organisations, held a special meeting.

Afterwards, Mr. George Meany, the organisation's 84-year-old president announced that leaders of 125m workers had decided that they would prefer to turn the clock back seven years rather than accept President Carter's approach.

Mr. Meany said that the compulsory pay and price programme launched by President Nixon in August 1971 dealt more fairly with wage and fringe benefit

### NEW YORK, Oct. 31.

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## Maudling leads Tory revolt on sanctions

BY RICHARD EVANS, LOBBY EDITOR

MR REGINALD MAUDLING, Davies, will address the 1922 Committee on Rhodesia tomorrow in an attempt to take some of the steam out of a potentially dangerous situation.

Mr. Maudling is the leading signatory of a letter sent yesterday to 120 Tory backbenchers calling on them to tell their Whips that they intend to oppose sanctions.

Other signatories include Sir John Edey, Mr. Julian Amery, Mr. Maurice Macmillan, and Mr. Hugh Fraser—all senior backbenchers.

The vote on Rhodesian sanctions will take place in the Commons next week, either late on Tuesday or Wednesday. It will follow a two-day debate on Rhodesia and the Bingham Report on Monday and Tuesday, in which both Sir Harold Wilson and Mr. Edward Heath are expected to speak.

The Shadow Cabinet decided to move two amendments to the Queen's Speech, which will open the final session of the present

Parliament today. The speech has been carefully drafted by Ministers to ensure active support or at worst abstention from the Nationalist parties.

Abstention would be enough to give Mr. Callaghan a majority in the vote at the end of the seven-day debate tomorrow week. Survival would make it probable that Mr. Callaghan can continue in office well into next year.

A big headache for the Conservative leadership continues to be the party's divisions over incomes policy. These are certain to be exploited to the full by Mr. Callaghan, who will launch the debate for the Government today.

The latest issue of Conservative News, published today, strongly attacks the views on incomes policy expressed by Mr. Heath and argues that the official party line offers more hope than pay controls.

Some good news for the Tory party came yesterday in opinion poll figures taken in the key West Midlands area showing that the Conservatives had an 18.2 per cent lead over Labour.

### Bingham report

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### Anti-sanctions feeling among Conservative MPs

Anti-sanctions feeling among Conservative MPs has grown considerably recently, because of the Government's decision to supply Zambia with arms. The intervention of Mr. Maudling, who is still a figure of some influence, will add to the difficulties of the leadership.

Mr. Maudling, a former Chancellor of the Exchequer, Home Secretary and Colonial Secretary, was dismissed as Shadow Foreign Secretary by Mrs. Thatcher nearly two years ago.

Mr. Francis Pym, now Shadow Foreign Secretary in the absence through illness of Mr. John

## New Ford car supplies almost exhausted

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD DEALERS have nearly run out of new cars because of the strike at the group's production plants, now in its sixth week. Ford estimates that dealers have no more than 10,000 new cars in stock, compared with the normal 50,000.

Mr. Forbes Macgregor, chairman of Harold Perry Motors, one of Britain's biggest Ford distributors, commented last night: "We are down to a mere fraction of our normal stocks. But we have not quite run out and have a limited number of Fiestas and Escorts."

At BSG International, the Bristol Street Motors group, Mr. Harry Cressman, chairman and chief executive, said: "Stocks have virtually dried up. We have a handful of odd things left. Our normal stock level of 2,500 Ford cars is down to perhaps 20."

Mr. Cressman said: "We will have no trouble with mechanical components for another month but things will get progressively difficult after then."

Stocks would have run down more quickly had it not been for Ford's dominance in the fleet market. The Cortina, Britain's best-selling car for some time, is particularly demanded by fleet purchasers, who probably

now account for about 70 per cent of new cars in the UK.

Fleet managers change their cars mainly in spring and summer and those who would have been buying at present seem willing to wait.

Mr. Macgregor said: "The fleet people are very loyal. But then the factors which led them to choose Ford in the first place have not been changed."

Ford says that about 20,000 cars are held up at ports, in depots or at the end of production lines. They could be fed into the system quickly when the dispute ends.

Before the dispute dealers had large stocks of most routine mechanical parts and in any case many of them can be changed for those produced for other manufacturers' cars.

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### Advice

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Ford's advice was: "Don't have an accident. Supplies of body panels have dried up."

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## Motor pay

table because of "penalty clauses."

The possibility of the 8,000 workers at Vauxhall, Ellesmere Port striking over the company's guideline-breaking two offer averaging 7.1 per cent receded. Shop stewards for 5,000 members of the Amalgamated Union of Engineering Workers voted to postpone action until November 5 to allow the company to make a new offer.

The 3,000 Transport and General Workers' Union members at the plant hold a mass meeting today to decide on their action. They have been determined to strike, but the engineering workers' decision leaves them isolated from the rest of the company's work force.

National union officials meet the trade union side of the company's joint negotiating committee tomorrow on the pay dispute. The company, not officially taking part in the talks but to be on hand if necessary, has offered increases ranging from 6.6p to 8.05 per cent, including a 1.75 per cent performance supplement.

The union side, though, is deeply split, and senior joint negotiating committee members from Luton made it clear yesterday that they had not agreed with the decision to refer the pay dispute to national officials, and were attending the talks with reluctance.

## Pinder case 'behind auditors' sacking

BY JAMES BARTHOLOMEW

TURQUAND YOUNGS and Company said yesterday that Mr. James Scott, chief executive of Sime Darby Holdings, told them they were being dismissed as auditors to the group because of the Pinder affair, four years ago.

The allegation is in a letter to Sime Darby shareholders, appealing to them to overrule the board's decision to replace Turquand with Price Waterhouse and Company. It is the latest move in an increasingly bitter row between the Malaysian-based company and its auditors.

Turquand said yesterday that

in April, Mr. Scott told the senior partner of Turquand in Malaysia, Mr. Douglas Beaton, of two reasons for the dismissal of the auditors.

First Mr. Scott said the auditors should have been removed in 1974 after the Pinder affair. Secondly, he said Turquand should not have been appointed to carry out the investigation and settlement of the group's tax affairs arising out of that affair.

In June, Mr. Beaton, with Mr. Dennis Garrett, senior partner of Turquands, Barton, Mayhew

and Co., asked Mr. Scott to confirm that those reasons were correct. Mr. Scott allegedly did so. Mr. Stanley Borton, finance director of Sime, is also said to have been present at the meeting, in London.

"Bloodhound"

Turquand said yesterday that it could not understand how the Pinder affair could be the cause of its dismissal. Far from being implicated in Mr. Pinder's misappropriation of funds during 1973, Turquand had exposed it

To support that assertion, that has been levelled at them by the accused.

The official reason given last month by Sime for wanting to dismiss Turquand is that the auditors have a smaller international coverage and are thus less well placed to look after the group's far-ranging affairs than Price Waterhouse and Co.

Sime made no reply to the Turquand allegations yesterday but announced a Press conference in Kuala Lumpur on Thursday at which Mr. Scott and the chairman, Tun Tan Siew Sin, will be present.

On the evidence I have heard, Turquand and Youngs and Co. properly performed both these independent roles. Indeed, the plea of guilt by the accused on the three amended charges Turquand wholly vindicates Youngs and Co. of the criticism Sin, will be present.